Letter to Shareholders

June 30, 2024

C S C A X

GREETINGS FELLOW SHAREHOLDER:

We have had arguably one of the more dismal six months to report to Partners. While specific portfolio issues are always more important and relevant on both the upside and downside as we are not a "beta boat," and dependent upon the tides of the market, it is worth noting a few things about the markets at large.

The S&P 500 is weighted by market capitalization. It is up 15% for the first half of 2024. Nvidia is its largest component and is up 150% over that period. The equal weighted version of the S&P is up a mere 5%, which is the biggest discrepancy between the two indices since 1990, per Dow Jones Market Data. Said another away in the Wall Street Journal: "No Nvidia in Your Portfolio? 'You're Just Toast.'" (We would add – For now, trailing). That is either scary as in things are not remotely like they seem as suggested by the "market," or it is a great opportunity to get excited about certain equities where people clearly are not investing at the present time. Life is probably a little bit of both.

But at the bottom of the list is clearly the small cap world. While news of the sector's impending demise is a tad premature, it is getting airtime. Giant spreads between us and an index or our index and other indices tend to mean revert, but as has been noted often, this has been one helluva decade as far as pace of closure.

We see tremendous specific opportunities and we have been concentrating in our best ideas. While we "think" timing is RIGHT HERE, it is an elusive goal. But the spring is very tightly coiled as far as reasonable estimates of intrinsic value and prices where some of our holdings have drifted due to inattention, sector divestment, or both.

Losers and Winners

Our three biggest drags on performance have been in and out of best/worst performers for several years and we can obviously say their "issues" have not been resolved (to date) to our satisfaction. We have admitted plenty of mistakes in the past, and we have also changed position sizing to account for a greater appreciation of risk vs. valuation depending on the environment. But not yet on the following three.

E.W. Scripps (ticker: SSP) is too stupid cheap and too levered. We think both will be relieved to a great degree by an upcoming sale of their Bounce network, which could be sold for more than their current market cap. We also note Berkshire Hathaway and the Scripps family are key variables here being underestimated in the public opinion of balance sheet resolution for the company. A complete miss in national advertising trends in the past year has developed into a hairier balance sheet to which we generally feel comfortable. We again have been slowly in and out of the equity several times over the past seven years with solid results. This time around has been a little stickier.

TOTAL RETURN **(CSCAX)** — % as of June 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	-10.77	-9.33	-9.11	-1.48	2.08	3.10	6.73
Russell 2000® Index	-3.28	1.73	10.06	-2.58	6.94	7.00	8.74
Russell 2000® Value Index	-3.64	-0.85	10.90	-0.53	7.07	6.23	8.58

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.

We have reset our position in Compass Minerals (ticker: CMP) to 2.5% from 5%. The valuation being accorded to its two "irreplaceable" U.S. assets in salt and sulfate of potash are worth multiples of the current value of the stock, but weather headwinds have sucked the life out of the equity. Said another way, the company has been idiotically run and managed with a mindset that weather is NOT an issue in agriculture and de-icing salt and that has cost us dearly to date. A 72-year-old Board member has stepped in as CEO with a very obvious mission: reduce costs and sell the company. We again would note the Koch family paying $36 per share for a 17% share in the company, among other unhappy people.

Viasat (ticker: VSAT) has no friends. We are in the limbo of waiting for the launch of two satellites, with essentially $1 billion of cost sitting around in warehouses. We expect those satellites to be in service mid-25 and late-25. There is no growth until then, as the company has slowly abandoned the rural broadband market to allocate limited capacity to their commercial markets. There is tremendous "not being monetized" value in the Viasat/Inmarsat combination given commercial and defense opportunities in space in the decades ahead, but a pair of satellite failures has clearly given Starlink and eventually Kuiper a complete 4 year "gimme" to develop as formidable competitors. Irrelevant at current stock price. The defense business is arguably worth 2x the current market cap.

On the plus side, KBR (ticker: KBR) has been a strong performer so far YTD on the back of an investor day in the second quarter that highlighted the success of the last four-year plan (2020-2023) before laying out ambitious but credible targets for the next 4 years (2024-2027). Since 2020, KBR has pivoted their commercial business away from high-risk EPC projects to a more differentiated IP-first consulting approach that now sees 20% EBIT margins and contributes 40% of their overall profitability. KBR has cleaned up their balance sheet by settling convertible notes and warrants and now sits at a healthy 2x net leverage. With the upcoming ramp of a $20B government services contract with the U.S. army, the company is well positioned to generate cash and return value to shareholders.

NewMarket (ticker: NEU) has been one of our bigger winners this year, as margins in their core lubricants businesses reverted to levels last seen before Covid. They also made an interesting and sizable acquisition of a one-of-a-kind asset (which we formerly owned back when this PM used a hairbrush), AMPAC, which is the leading North American manufacturer of critical performance additives used in solid rocket motors for space launch and military defense applications. We have reduced our position somewhat, but remain long term holders.

Six Flags (ticker: SIX) announced its intention to merge with Cedar Fair in November 2023. Conceptually, schlepping more parks together in a combined entity should generate value beyond cost cutting via regional diversification, a more stable balance sheet, stronger season pass sales, combining IP and brand rights, streamlining best practices, and other incremental upsells/cross sells. While we lament the foregoing of a higher upside case in "fixing" Six Flags via premiumization, the combined entity will be managed by the much more capable leadership team coming from Cedar Fair. The cone of variability has narrowed, and we see a go-forward entity that operates scarce, difficult to replicate regional park assets that should generate a lot of cash. There has been antitrust concern since the announcement of the merger; those concerns did not come to pass, and the merger will close on July 1.

In notable changes in the portfolio, we have exited all common shares of Lifecore Biomedical (ticker: LFCR) which has been a mixed bag (at best) for the past several years. We entered at different vantage points and sold stock at different vantage points as the company has struggled with management not equipped for the job, a Board that moved too slowly to address said issue, and a balance sheet that has acted as a speedbump in taking advantage of growth opportunities. An investment banking process ended in a draw, with the Board opting to hire a new CEO – whom we like after a first glance and chat – and they are pursuing a "go it alone" path (although, I would argue that this company remains unlikely to remain independent over more than the shorter run). We continue to like the industry and their position in it, but there is simply a lot of wood to chop here for the next few years.

In a similar, but more profitable process, we sold the last of our Lionsgate (ticker; LGF.B) stock but are reserving the mental right to return. We – like many before us – overvalued the company's assets and the willingness and ability of the company to sell itself. It has been a volatile stock over the past few years, and we have taken advantage of our internal work on intrinsic value to add value for the portfolio. With 20% dilution from a SPAC and question marks on how the business will be valued as two separate public companies, we took our chips off the table on the most recent run-up.

Lastly, we sold our remaining shares in Standex (ticker; SXI), which was almost a 7-bagger for Cove Street. Given the insider selling at the company, we would suggest management scratches the same head as we do when looking at valuation. This is a growth cyclical run by a very capable CEO, and we would expect to be shareholders again in a more difficult economic cycle.

We have three new more material positions added in the quarter.

Advanced Auto Parts (ticker: AAP) is the third wheel in a very profitable industry of retail/commercial selling of replacement auto parts. Autozone and O'Reilly have shown how to do this well whereas AAP has shown how NOT to. We think new management, a new Board, and a fiendishly simple strategic plan is a path toward a double in the stock price. We consider the downside here to be boredom if the "fiendishly simple" part proves to be more durable than we anticipate.

We also added a position in Clarivate (ticker: CLVT), a data services provider that operates across academic research, intellectual property, and life sciences. We came to the investment from cross-work in another holding, Research Solutions (ticker: RSSS). Ultimately this company sucks in data from participants in the industry, aggregates it, and provides value added services and tools back to those industry participants. The power is in providing customers access to the aggregate. This was a private equity roll-up of a bunch of different data assets that paid too little attention to product innovation, leading to a period of stagnating growth and repeatedly missing guidance. The business of selling many tools and services on a pile of fixed cost assets (data) remains tremendous as can be seen by Clarivate's mid-to-high 30% EBITDA margins and strong returns on invested capital. With new management and board members in place and 18 months of an "investment cycle" under their belt, we view the risk/reward of CLVT to be favorable at these levels, with a strong upside case if they can reinvigorate growth to their target levels.

Lastly, we added a position in another data company in Red Violet (ticker: RDVT) in the quarter. Unlike Clarivate, which provides a suite of niche, high value services to a few particular industries, Red Violet is focused on being an "arms dealer" of personal identity data that powers other data service company 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. We have followed the small (~$300m market cap), thinly traded company for a long time and had an opportunity to take a meaningful stake via secondary by a charitable foundation shareholder at a cost just under $19. Growing 20% as of 1Q24, Red Violet seeks to maintain its high growth rate via efforts to move up-market towards enterprise customers as well as reaping gains from recently entered verticals such as government, legal, and marketing.

As for the go-forward opportunity set, there are the usual known, unknowns lurking in the world. While one can look at recent elections in France and India and subsequent market reactions to surprise results as unsettling, and then look with an uneasily feeling toward our own upcoming November messathon, we would view any related movement as "short term events that should present opportunities on which to capitalize". Contrary to popular opinion, underlying business fundamentals and economic change have generally done a rather efficient job over the long run of putting those election-related fears to rest, as suggested by the last 75 years of global events.

We have seen unpleasant periods of performance in the past. We re-evaluate and re-focus specific holdings, but we do not change our stripes. There is not a worse idea in investing than to abandon a time-tested, common-sense strategy run by experienced "adults" every two years to suit the mood of the day. Your portfolio manager just added multi-six figures to the fund in June as the best thing one can tell you about the opportunity.

Best Regards,

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. Read it carefully before investing.

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TOP 10 HOLDINGS — % as of June 30, 2024

EW SCRIPPS CL A ORD	9.6	%
GLOBAL INDEMNITY GROUP CL A ORD	5.4	%
RESEARCH SOLUTIONS ORD	5.3	%
LIFECORE SERIES A CONVERTIBLE PREFERRED 7.5%	5.2	%
IAC ORD	5.1	%
AMER VANGUARD ORD	4.9	%
RED VIOLET ORD	4.2	%
VIASAT ORD	4.1	%
CLIMB GLOBAL SOLUTIONS ORD	3.9	%
ECOVYST ORD	3.8	%

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.

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.

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

S&P 500 - The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

EPC - Engineering, procurement, and construction.

IP - Internet Protocol.

EBIT Margin is the operating earnings over operating sales.

PM – Portfolio Manager.

SPAC - A special purpose acquisition company is a public company that raises money through an initial public offering (IPO) to acquire or merge with a private company and take it public.

EBITDA, or earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income.

AML - Anti-money laundering.

KYC - Know Your Client.