COVE STREET CAPITAL

Frequently Asked Questions

— AS OF DECEMBER 31, 2016 —

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FIRM OVERVIEW

1. Please provide a brief history of the organization.

Cove Street Capital, LLC is an SEC registered investment advisor founded by veteran value investor Jeffrey Bronchick, CFA.

As of December 31, 2016, we manage approximately $1,108mm in assets for a global mix of institutions and high net worth individuals on a separate account, mutual fund, and sub-advisory basis, utilizing a research intensive, concentrated value-based strategy.

Prior to founding Cove Street, Mr. Bronchick was the CIO of Reed Conner & Birdwell (RCB), a Los Angeles-based asset manager, which was sold to MetWest Ventures in June 2011. Mr. Bronchick was one of three key partners at RCB, and as part of that sale transaction, in exchange for his equity, Mr. Bronchick received cash, the right to port his GIPS® audited track records (dating back to the early 90's), and the right to solicit select clients and employees. Cove Street opened its doors with $274mm in AUM, a full investment team, and an institutional caliber operations and compliance infrastructure.

Today, we are continually improving a world-class investment organization that delights clients with excellence in performance and client service, and inspires colleagues with a collegial meritocracy that rewards intellect and ambition.

2. What is “Cove Street”? Is that your address?

Our name stems from 97 Cove Street, New Bedford, Massachusetts, the original home of Berkshire Hathaway, which became Warren Buffett's investment and business vehicle after the winding down of his original investment partnership. With all appropriate modesty, we directionally embrace the principles of value investing, high integrity, and honest and forthright communications with clients, but are highly unlikely to make any material investments in textile mills.

We are headquartered at 2101 E El Segundo Boulevard, Suite 302, El Segundo, CA 90245. El Segundo is in the “South Bay” of Los Angeles, and we are 10 minutes away from LAX and under a mile from the 405 Freeway. If you need help navigating to us, call our front desk at 424-221-5897 or email us at **Questions@covestreetcapital.com**.

3. Describe the current ownership structure and provide an organizational overview.

We are 100% employee-owned by seven principals. Our long-term ownership philosophy is to intelligently distribute equity to both investment and operations.

We have eleven full-time employees that comprise our three departments—Research + Investments, Business Development + Client Service, and Compliance + Operations. Our organizational chart is on the next page and full biographies are available in the appendix.

JEFFREY BRONCHICK, CFA
Principal, Portfolio Manager

DANIELE BEASLEY
Principal, President

Research + Investments

BEN CLAREMON
Principal, Research Analyst

DEAN PAGONIS
Research Analyst

EUGENE ROBIN, CFA
Principal, Research Analyst

Business Development + Client Service

PAUL HINKLE
Principal, Director of Client PM

KELLI MANTHEI
Principal, Director of Design

Compliance + Operations

KRISTIN CHANDLEE
Operations Assistant

ANDY HARNETT
Trading + Operations Associate

MERIHAN TYNAN
Director of Operations

MATT WEBER
Principal, Director of Trading

4. Describe the culture of the firm.

We are a highly motivated, entrepreneurial, and open ecosystem. Every member of the firm understands "DHM" and the importance of its ordering—**D**elight Clients, **H**ave Fun, **M**ake Money. The atmosphere is highly collaborative and ideas flow across rank and job description, enabling "failure free" expression. The best thing a human being can do is help another human being know more—personal growth is encouraged and compensated. Resonating themes include: unwavering ethics and devotion to client first; independent work with full accountability; ownership mentality; a focus on what is the "best way," not "this is how it has been done before;" and submission of rank and seniority to best idea and best practice.

5. Is the firm registered with any regulatory agency?

Cove Street is a US-based investment management firm and is registered as an investment advisor with the Securities and Exchange Commission.

You can access our ADV and related documents on our website FAQ.

6. Provide a description of any litigation or regulatory actions involving the firm or any of its principals.

The firm has not been a party to any litigation or any regulatory actions and is not aware of any such pending activity.

7. Please provide a list of the firm's service providers.

LEGAL	Morgan, Lewis & Bockius | Miami, Florida
ACCOUNTING	EisnerAmper LLP | San Francisco, California
PERFORMANCE VERIFICATION	ACA Performance Services | Chattanooga, Tennessee
PORTFOLIO ACCOUNTING + ORDER MANAGEMENT SOFTWARE	Advent | San Francisco, California
COMPLIANCE RESOURCE	National Regulatory Services, Inc | Lakeville, Connecticut

We have or can establish custody relationships with all quality financial institutions.

8. Please list the firm's insurance coverage.

COVERAGE	AMOUNT	CARRIER
Errors & Omissions	$5,000,000	AXIS Surplus Insurance Company
EPLI	$2,000,000	The Hartford

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STRATEGY OVERVIEW

1. **What investment strategies does the firm offer and what percent of the firm's assets do they represent, as of most recent quarter end?**

CLASSIC VALUE | SMALL CAP — 77%

Small Cap Value is a concentrated small cap value strategy that applies a fundamental, bottom-up stock selection process within a universe of approximately 3,500 US companies with a market capitalization below $3 billion, as well as a relevant universe of non-US companies.

We consistently run computer screens to identify "fishing pools" of statistically cheap securities and highly desirable business models. We also draw upon a deep cumulative well of investment experience and industry contacts to find and identify ideas. Cove Street "team tackles" fundamental business model drivers and establishes intrinsic value targets with a multivariate approach, incorporating discounted cashflow, historical valuation metrics, and private market and asset-based valuations. We pay careful attention to "management" and quantitatively review historical capital allocation decisions as well as Board composition and compensation structure.

The portfolio holds 30 to 39 stocks and PM Jeffrey Bronchick is responsible for the final portfolio decision. Sector weightings are a result of the bottom-up approach. We have a 30% risk limit in any single industry and a 10% limit on any single security. We are very mindful of the negative correlation between asset growth and performance, and Cove Street will err on the side of protecting existing clients and close the strategy in the face of aggressive asset flow.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early. Stocks are sold when their price no longer reflects a margin of safety or we have identified materially better values in other stocks.

This strategy is offered on a separate account, mutual fund, or sub-advised basis. There is a $10mm separate account minimum.

CLASSIC VALUE | SMALL CAP FOCUS — 2%

Small Cap Focus is a concentrated strategy of the 8 to 13 "best ideas" from our Classic Value | Small Cap strategy. The strategy mirrors the strategy employed in our sub-advisory engagement for the Litman Gregory Masters' Select Smaller Companies Fund.

CLASSIC VALUE | ALL CAP — 10%

All Cap Value is a fundamental, bottom-up stock selection within an unrestricted, global universe.

We consistently run computer screens to identify "fishing pools" of statistically cheap securities and highly desirable business models. We also draw upon a deep cumulative well of investment experience and industry contacts to find and identify ideas. Cove Street "team tackles" fundamental business model drivers and establishes intrinsic value targets with a multivariate approach, incorporating discounted cashflow, historical valuation metrics, and private market and asset-based valuations. We pay careful attention to "management" and quantitatively review historical capital allocation decisions as well as Board composition and compensation structure.

The portfolio holds 20 to 25 stocks and PM Jeffrey Bronchick is responsible for the final portfolio decision. Sector weightings are a result of the bottom-up approach. We have a 30% risk limit in any single industry and a 10% limit on any single security.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early. Stocks are sold when their price no longer reflects a margin of safety or we have identified materially better values in other stocks.

This strategy is offered on a separate account basis with a $10mm minimum.

CLASSIC VALUE | STRATEGIC — 11%

Strategic Value is a classic balanced strategy seeking absolute returns throughout market cycles by investing across the corporate capital structure and holding cash when alternative investment opportunities are not forthcoming. In contrast to what is broadly called a "hedge fund," Strategic Value has a transparent process, does not use leverage or shorting and fees are reasonable. The portfolio uses an all cap equity universe with a global opportunity set and an opportunistic fixed income strategy utilizing the firm's bottom-up credit research.

This strategy is offered on a separate account basis with a $10mm minimum.

2. How do you think about capacity in the firm's current strategies?

There is not a more valid truism in the investment management business than the assertion that asset growth is the enemy of performance.

We presently believe that we have $1.3 billion in capacity in our Small Cap strategy, an amount that will allow small cap representation in other strategies. We do not think our other strategies have capacity limitations under $5 billion in assets.

3. Are any of the firm's strategies tax efficient?

While investment considerations should almost always trump a tax decision, the principals of Cove Street have over 20 years of experience in managing taxable accounts. Our separate account structure and focus on a smaller number of substantial relationships enables tactical tax planning per client needs.

4. What percent of the firm's current investors are institutional versus high net worth?

As of December 31, 2016:

Institutional	89%	High Net Worth	11%

5. What are the composite inception dates of the firm's offered strategies and how long has the current investment team managed them?

The composite inception dates of the firm's offered strategies are as follows:

- Classic Value | Small Cap — December 31, 1993
- Classic Value | Small Cap Focus — September 30, 2007
- Classic Value | All Cap — September 30, 1992
- Classic Value | Strategic — March 31, 2010

Jeff Bronchick has managed all the firm's strategies since their respective inception dates. Strategies prior to July 1, 2011 were managed by Mr. Bronchick during his tenure as the Chief Investment officer of Reed Conner & Birdwell (RCB), where he was the key decision maker. As part of the sale transaction with RCB, Cove Street retained portability rights to the GIPS® audited track record for the strategies he had managed.

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INVESTMENT RESEARCH

1. **Briefly describe the Firm's investment philosophy.**

We are classic value investors in the tradition of Ben Graham and Warren Buffett, seeking superior long-term performance through the purchase of securities selling at prices materially below our estimate of intrinsic value. This process of “winning by not losing” protects capital from permanent loss (as distinguished from “quotational risk”) and puts us on the correct side of the mathematics of compounding.

We believe the best performance records in the investment industry have been created by small teams of value-based analysts, as decisions are made by those doing the actual research, and work and time value are not wasted through committees and laborious people management processes.

We run concentrated portfolios, which allow our best ideas to drive performance. It is both a fool's errand as well as disingenuous to clients to over-diversify the results of careful decision-making and attempt to mimic indices to achieve performance. The only way to achieve superior long-term returns is to have the intellectual courage to differ from the mood of the day and the indices to which we are compared.

While we hunger for objective evidence and rigorously model our investment ideas, we retain a healthy skepticism toward advanced math and formulaic convention. We are investing in real businesses run by real people whose securities are valued in the short-run through an imprecise prism into a future that is always uncertain. There will never be a precise formula for good judgment.

To paraphrase Buffett paraphrasing Graham, we will neither be right nor wrong because the crowd disagrees with us. We will be right when our data and reasoning are right.

Despite a tremendous amount of academic and practical effort, financial markets are only “occasionally efficient.” Even the most cursory review of market movements over the past two decades renders any other conclusion unsupportable by common sense.

Pricing inefficiencies systemically exist in the market place due to a variety of factors. Many are due to the “business” of money management, which encourages a myopic focus on short-term phenomena—quarterly earnings, news chasing, quarterly performance reporting—that are inherently and historically unpredictable. This limited scope produces opportunities for investors who have the discipline and confidence to invest with a longer-term time horizon. Another issue relates to asset size. It is simply impossible to understand with any depth 400 companies in a portfolio, and conversely, a fairly concentrated portfolio with a reasonable asset size enables in-depth fundamental research to add value as well as the enhancement of the ability to recognize mistakes and make changes. Finally, value investing—the art of buying a dollar for 60 cents—is not easy in practice. It requires discipline and patience, attributes that have proven not to be innate to members of the institutional money management world. Whatever the asset class, value-oriented investing remains the only intellectually viable investment philosophy that not only makes common sense, but also has a track record that has stood the test of time.

2. **Please describe the investment team for the Firm's strategies.**

Our Principal and Portfolio Manager Jeffrey Bronchick, CFA leads a team of three analysts that drive the research process for the firm's strategies. Although the team consists of generalists and operates in a very flat fashion, Mr. Bronchick is the final decision-maker on all investment decisions. Full biographies are included in the appendix.

We believe the best performance records in the investment industry have been created by small teams of value-focused analysts, as decisions are made by those doing the actual research, and work and time value are not wasted through committees and laborious people management processes. We run concentrated portfolios, in a limited number of strategies with a long-term time horizon that leads to low turnover, a process that lends itself well to our structure.

As noted 20th century social scientist Herbert Simon said: “A wealth of information creates a poverty of attention.”

3. How does the research process work?

1 GENERATE IDEAS

Idea generation, **Stage 1** of our process, is driven by both quantitative and qualitative analyses. As a value-based, bottom-up manager, we consistently screen markets for securities that appear statistically inexpensive and have that pool of ideas drive our efforts and work rather than begin the day with a preconceived notion of what we would like to buy. We also screen for “good businesses” as defined by classic characteristics like consistency of growth and profitability, high returns on invested capital and sustainable competitive advantages and ask ourselves if the valuation is cheap enough to provide a proper margin of safety. Our screens are based on combinations of value, business fundamentals, and corporate behavior. On a qualitative basis, ideas are produced from our collective investment experience, our deep contact network, out of office experiences and obvious headline issues.

2 QUALIFY

Once we have determined that an idea has promise, we qualify those ideas in **Stage 2**, during which we digest the publicly available information on the company and we populate our Cove Street analytical spreadsheet with the company’s relevant financial information. The analytical spreadsheet is designed to help the team efficiently determine the financial characteristics of the business. We then ask: does the investment candidate appear to either be a great business at a reasonable price or an exceedingly cheap security that provides a deeper margin of safety to compensate for potential business issues?

3 DEEP DIVE

Stage 3 is the Deep Dive. The research team performs intensive analysis on valuation and business characteristics, with a group of analysts focused on the stock as a “purchase” and one or more analysts focused on the stock as a “short-sale,” a version of the so-called Socratic method of reasoning. Key pivot points include:

- What is a reasonable estimate of intrinsic value? We incorporate a multivariate approach that utilizes a discounted cashflow analysis, private market values, and a historical calculation of enterprise value to normalized earnings, cashflow, and revenue.
- Classic Porter value chain analysis of competitors, suppliers, potential entrants, customers and substitutes.
- Is there a competitive advantage that can generate sustainably strong returns on invested capital?
- Management: friend, neutral or foe?
- PEST Control: political, economic, social, technological issues.
- What are we thinking that others are not?
- What will it cost us if things go very wrong?

4 DECISION

Stage 4 is the Decision. The Small Cap portfolio consists of 30 to 39 companies. Other strategies are more concentrated. Is there sufficient risk-adjusted upside— on an absolute basis and versus other stocks we own? How does it fit with the portfolio's industry concentration? Do tactical timing issues call for a full (5%) or half (2.5%) position?

FINAL DECISION IS MADE BY THE PORTFOLIO MANAGER

As the team executes Stages 3 and 4 discussed above, they complete our Decision Process spreadsheet which is a series of qualitative and quantitative checklists. This tool helps the team identify the issues and risks that should be considered and studied as part of the investment process. At the end of the process, each participating analyst records a recommendation within the decision process spreadsheet and answers the following questions: What is it worth? What should we do? At what position size? Recording the analysis and the recommendations helps us avoid revisionist history and maintain intellectual honesty, is applicable for compensation purposes and helps us identify and monitor our own biases.

As discussed above, although the investment team operates in a very flat and team-based fashion, ultimately the Portfolio Manager Jeff Bronchick makes the final decision as to purchases and sales and as to the position size. He "owns" the portfolio and feels strongly that you need one person to make the final decisions.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early.

Our sell discipline is also based upon a blend of qualitative and quantitative measures:

VALUATION

- A good business is excessively valued or a reasonable business is fairly valued.
- A better idea is found that materially improves the risk/reward characteristics.

PEOPLE

- Unexpectedly poor decisions are made allocating shareholder capital.
- Loss of confidence that management and the board are best representing shareholders and the cost and effort to influence this process are deemed prohibitive.

BUSINESS

- We are incorrect in our expectations about long-term economic margins and earnings power.
- Actual or likely prospects of balance sheet deterioration
- Cyclical industry problems reveal themselves as secular.

4. How is the investment team compensated?

There is a competitive salary structure plus a bonus that is both performance-based and incorporates qualitative factors such as internal teamwork and the improvement of CSC's investment and operational infrastructure. Principals are compensated through their ownership of the firm. We do not believe in complex, siloed compensation structures as they will inevitably be divisive to a team effort and culture.

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PORTFOLIO MANAGEMENT

1. **Please describe the portfolio construction process.**

   Cove Street pursues relatively concentrated portfolios with relatively low turnover. There are typically 30 to 39 stocks in our Small Cap strategy and 20 to 25 in our All Cap strategy. Our initial position will typically start as a half position at 2.5% of the portfolio or a full position at 5%, depending on the nature of the business, margin of safety, and tactical considerations at the time of purchase.

   We do not in any way seek to replicate market indices as far as sector weightings. We will limit our exposure to a particular industry to 30% of the portfolio on the behavioral finance suggestion of the potential for hubris in investment management.

   While we are generally investing with a five to seven year outlook, volatility for individual stocks and the market more broadly can produce swings that enable value-adding shifts in position weighting within the context of our longer-term outlook.

2. **Describe the investment environments in which the Firm's strategies are most likely to outperform or underperform style peers.**

   As a general statement, our goal is to generate competitive returns in strong up markets and outperform in down markets. This was a state of affairs that held true over twenty years of market cycles, with the exception of 2008/2009, where the exact opposite held true. We would suggest that truly was a “Black Swan” period and recent years have seen portfolios revert back to more traditional behavior.

3. **What are the most appropriate benchmarks for your investment strategies?**

   We have often said, benchmarks are like potato chips—it is difficult to have just one. Our reasoning is that indices have statistical biases just as our portfolios have certain biases, and particularly over the short-run, these inherent biases can make the portfolio manager look better—or worse—than the long-run might eventually suggest.

   For Small Cap portfolios, the Russell 2000® is a reasonably appropriate benchmark and in All Cap, the Russell 3000® is the counterpart. Each index has a value-oriented complement—the Russell 2000® Value and the Russell 3000® Value, indices that can provide “color” to the short-term performance story. For the Strategic Value portfolios, a blended index of the Russell 3000® with the Bloomberg Barclays Government Credit Intermediate (BBGCI) and additionally the HFRI Equity Hedge Fund serve as appropriate benchmarks. Our job is fiendishly simple—protect capital in difficult markets and outperform benchmark indices over the long-run. To do so, we must be willing to invest “differently” from the indices and have the investment discipline and client support to endure inevitable periods of short-term discomfort when the “trend du jour” manifests itself in short-term underperformance versus an index.

   We recognize that diversifying investment managers by “style” is pervasive and that it can reduce the probability of significant under-performance in the short-run. However, we believe that in today's investment world, the “styles” are defined too mechanically. Assigning each manager to a specific “style box” in a matrix overlooks the reality that asset management firms are of different sizes and shapes and they overlap in non-quantifiable ways. This is not to say that managers should not be held accountable for performance, but to manage to a box or an index is to nearly guarantee mediocre performance.

4. How do you factor liquidity into your process?

Liquidity can be a factor in position size for our small cap positions. We have no set rules on liquidity, as it is highly variable and does not relate well to mean analysis. We endeavor not to have more than a handful of very illiquid securities in the portfolio at a given time. We monitor portfolio liquidity on a weekly basis.

5. Do you hold cash?

Yes, when we find little to buy that provides a margin of safety for other people's money. Cash is a residual of our investment process rather than a "feeling" that all is not right in the world. The world was certainly not a comfortable place in March 2009, but the outcome of any reasonable investment process called for at least gingerly stepping forward and spending cash. The converse was true in June 2007. We will immediately communicate with the client and intermediaries if we are having difficulty finding enough value to meet investment guidelines on cash holdings.

6. What is the turnover of your portfolios?

Our turnover is as low as we can make it, but much depends on the volatility of markets. Our turnover has averaged roughly 40% over a long period of time, but there have been years where it has been as low as 10% and as high as 60%. It can lean higher in Small Cap portfolios due to inherently higher volatility and takeovers.

7. How do you define risk and how is portfolio risk managed?

In its purest form, risk is the likelihood of permanently losing money. As the world remains inherently uncertain in terms of outcome, we reject the idea that risk can adequately be defined by volatility. If an investment time horizon is appropriately aligned with the style of management, short-term "quotational risk" should be a factor that is de minimis as one views a longer-term investment program.

Our intensive investment process is our best source of risk control - we know what we own, we believe the valuation suggests a proper margin of safety if we are wrong, and we run concentrated portfolios, a fact that indicates we are fully engaged in watching the basket closely.

Both the Portfolio Manager and the Chief Compliance Officer lead efforts to ensure that client portfolios are managed within the respective guidelines.

We also identify with this excerpt from an investment memo from Oaktree Capital's Howard Marks (reprint verbatim):

Investment risk comes in many forms. Many risks matter to some investors but not to others, and they may make a given investment seem safe for some investors but risky for others.

- ***Falling short of one's goals*** *– Investors have difficult needs, and for each investor the failure to meet those needs poses as risk. A retired executive may need 4 percent per year to pay the bills, whereas 6 percent would represent a windfall. But for a pension fund that has to average 8 percent per year, a prolonged period returning 6 percent would entail serous risk. Obviously this risk is personal and subjective, as opposed to absolute and objective. A given investment may be risky in this regard for some people but riskless for others. Thus this cannot be the risk for which "the market" demands compensation in the form of higher prospective returns.*

- ***Underperformance*** *– Let's say an investment manager knows there won't be more money forthcoming no matter how well a client's account performs, but it's clear the account will be lost if it fails to keep up with some index. That's "benchmark risk," and the manager can eliminate it by* *emulating the index. But every investor who's unwilling to throw in the towel on outperformance, and who chooses to deviate from the index in its pursuit, will have periods of significant underperformance. In fact, since many of the best investors stick most strongly to their approach – and since no approach will work all the time – the best investors can have some of the greatest periods of underperformance. Specifically, in crazy times, disciplined investors willingly accept the risk of not taking enough risk to keep up. (See Warren Buffett and Julian Robertson in 1999. That year, underperformance was a badge of courage because it denoted a refusal to participate in the tech bubble.)*

- ***Career risk*** *– This is the extreme form of underperformance risk: the risk that arises when the people who manage money and the people whose money it is are different people. In those cases, the managers (or "agents") may not care as much about gains, in which they won't share, but may be deathly afraid of losses that could cost them their jobs. The implication is clear: risk that could jeopardize return to an agent's firing point is rarely worth taking.*

- ***Unconventionality*** *– Along similar lines, there's the risk of being different. Stewards of other people's money can be more comfortable turning in average performance, regardless of where it stands in absolute terms, than with the possibility that unconventional actions will prove unsuccessful and get them fired. Concern over this risk keeps many people from superior results, but it also creates opportunities in unorthodox investments for those who dare to be different.*

- ***Illiquidity*** *– If an investor needs money with which to pay for surgery in three months or buy a home in a year, he or she may be unable to make an investment that can't be counted on for liquidity that meets the schedule. Thus, for an investor, risk isn't just losing money or volatility, or any of the above. It's being unable when needed to turn an investment into cash at a reasonable price. This, too, is a personal risk.*

8. What aspects of your investment approach differentiate you from other managers?

We believe that the following key elements differentiates us from many other managers:

- We do not employ group decision-making—investment people contribute—PM makes final call.
- We do not attempt to mimic indices or the portfolios or holdings of other well-regarded money managers.
- We do not adhere to an over-diversification policy that inevitably inhibits performance.
- We will limit assets under management.
- We record our decision process and build an honest intellectual history of our decision-making.

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TRADING AND EXECUTION

1. **Please describe the Firm's trading operations and processes.**

   CSC has a head trader who works closely with the firm's research team to achieve best execution within the context of investment goals. Each order is evaluated to determine the optimal execution strategy. We have numerous relationships with large and small broker dealers, and we make extensive use of technology to utilize electronic trading platforms, dark liquidity pools, and algorithmic trading tactics. In making the broker selection, factors involved include liquidity offered in a specific name, size of the order, urgency of the investment decision, estimated market impact and commission costs. We also have some client relationships that specifically direct our order flow.

   At the end of each day, the trading desk produces a trading blotter that is electronically disseminated to the research team and firm's compliance officer.

2. **Please provide an overview of the trade allocation process.**

   CSC has adopted a clear written policy for the fair and equitable allocation of transactions (e.g., pro rata allocation, rotational allocation or other means). This position is disclosed in the firm’s Disclosure Document (See ADV Part 2A on our website FAQ). CSC’s complete policy, which is available upon request, prohibits any allocation of trades in a manner in which the firm’s affiliated accounts, or any particular client or group of clients receive(s) more favorable treatment than other client accounts.

   Allocation of Partial Fills: From time to time, in volatile markets or with more thinly-traded small cap names, there are often orders that are not fully completed on a given day. CSC allocates partial fills on a pro-rata basis subject to appropriate and reasonable fill percentages.

3. **Describe the firm's brokerage direction policies.**

   CSC may accept client instructions for directing the client’s brokerage transactions to a particular broker-dealer. Any client instructions to CSC must be in writing for any directed brokerage arrangements. In such cases, clients must be aware that CSC may not negotiate commissions, obtain volume discounts or aggregate directed transactions, and that commission charges will vary among clients.

4. **Do you evaluate trading costs on an ongoing basis?**

   CSC engages in a monthly review of trading costs. At this meeting the PM, the CCO, and the trading desk discuss commission levels and review a firm-wide Trade Cost Analysis (TCA) to evaluate best execution practices and current brokerage relationships. The TCA report and analysis is provided by Instinet.

5. **Please describe the firm's order management system.**

   Moxy is our OMS platform used to improve performance and workflow at Cove Street Capital. The system allows CSC to efficiently handle increased trading volume and work with disparate brokers and custodians, and it works seamlessly with our Advent portfolio accounting system.

6. Please outline the Firm's trade error policy.

CSC attempts to minimize trade errors by using various systems that automate daily trading and the reconciliation process that promptly reports trade details. When we do discover an error, it is immediately reported to the CCO for review and resolution. If a loss, the error is booked into an error account at the broker dealer and paid by CSC. We keep an error log in order to improve current policies and procedures and to prevent the error from recurring.

7. Does the firm utilize soft dollars?

CSC ***does not*** pay for research services through contractual soft-dollar arrangements. Our new-fashioned viewpoint is that our partner/clients pay us a fee and that fee incorporates the resources we require to excel. There are no predetermined commission commitments to pay any broker for research or any other services. We ***do not*** have an affiliation with a broker dealer.

OPERATIONS

1. **Please provide an overview of the Firm's operational capabilities.**

   President Daniele Beasley has had over twenty years of experience designing and implementing leading edge technology platforms for registered investment advisors and broker dealers. CSC uses Advent Software's order management solution, Moxy, its portfolio management and accounting software, Advent Portfolio Exchange (APX), and its trading compliance software, Advent Rules Manager.

   CSC will continue to lever its relationship with its technology partner, NIC, Inc. ("NIC"). NIC is a Los Angeles-based Information Technology consulting firm that was founded in 2002 by Miss Beasley's former CTO at their prior firm. NIC specializes in addressing the needs of investment advisors and provides CSC with cloud computing services as well as technical support. Disaster Recovery Services, Regulatory Compliance, and Data Security are also facilitated for CSC by utilizing enterprise level solutions managed by NIC. With their assistance, CSC leverages state-of-the-art technology to create an efficient and reliable infrastructure for its information systems and data.

2. **Describe the process by which portfolio transactions are reconciled.**

   Via Advent Software solutions, CSC obtains custodial data through Advent Custodial Data. This allows CSC to consolidate account level information from more than 800 custodians for reconciliation and posting transactions into APX. Data is trade-date based and available before the market opens in T+1.

3. **What is the firm's valuation standard for its portfolio positions?**

   CSC has adopted a pricing policy that requires all client portfolios to reflect current, fair and accurate market valuations. Through integration with APX, CSC obtains prices and reference data for all held securities through Interactive Data Corporation (IDC).

   On the rare occasion when pricing information for a thinly traded security is not ascertainable, CSC's policy is to price at the lower of either the median of the bid- ask spread or the last trade.

4. **How does the firm handle proxy votes and regulatory filings?**

   CSC acts as discretionary investment adviser, including clients governed by the Employee Retirement Income Security Act of 1974 ("ERISA"). CSC manages both equity and fixed income securities for its clients and will hold voting securities (or securities for which shareholder action is solicited) in a client account. Unless a client (including a "named fiduciary" under ERISA) specifically reserves the right to vote its own proxies or to take shareholder action in other corporate actions, CSC will vote all proxies or act on all other actions received in sufficient time prior to their deadlines as part of its full discretionary authority over the assets.

   When voting proxies or acting on corporate actions on behalf of our clients, CSC's concern is that all decisions be made solely in the best interest of the shareholder (for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA). CSC will act in a manner deemed prudent and diligent and which is intended to enhance the economic value of the assets of the accounts.

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LEGAL AND COMPLIANCE

1. Please provide an overview of the Firm's legal and compliance functions.

CSC has adopted policies and procedures that its believes are reasonably designed to prevent violations of the Investment Advisers Act of 1940, in accordance with Rule 206(4)-(7) under the Advisers Act.

The members of the CSC Compliance Department are primarily responsible for the development and implementation of appropriate policies and procedures. Monitoring systems are tailored to particular policies and procedures, with the manner and frequency of testing varying as appropriate.

CSC's compliance procedures include the reporting of violations or errors to designated personnel. After preliminary due diligence and investigation, matters are corrected or resolved in an appropriate manner. Resolution will vary depending on, among other things, the nature and severity of the violation.

CSC recognizes that compliance policies and procedures are living documents and are constantly evolving and improving. The CSC Compliance Department monitors regulatory developments and reviews these materials to reflect any new rules and any amendments to existing rules, as well as other regulatory developments.

Daniele Beasley is CSC's Chief Compliance Officer (CCO) and administers its compliance policies and procedures. The CCO is responsible for: overseeing the establishment and implementation of policies and procedures governing the activities of CSC in order to assure compliance with federal securities laws; maintaining compliance-related books and records; training colleagues to assure compliance with applicable compliance policies; assisting in the provision of information to regulators as requested in the course of an examination; and periodically reviewing compliance programs for effectiveness of implementation and conformity with relevant laws and regulations.

2. Does CSC maintain a compliance manual?

Yes. The following is a listing of the policies and procedures which comprise CSC LLC's Compliance Program. The Compliance Program addresses the conflicts and other risk factors that create risk exposure for CSC and its clients, including those identified by the SEC in its release of Rule 206(4)-7.

- Advertising
- Advisory Agreement
- Agency Cross Transactions
- Annual Compliance Reviews
- Anti-Money Laundering
- Best Execution
- Books and Records
- Code of Ethics
- Complaints
- Corporate Records
- Custody
- Cyber Security
- Directed Brokerage
- Disaster Recovery
- Disclosure Document
- E-Mail, Instant messaging and Other Electronic Communications
- ERISA

- Insider Trading
- Investment Processes
- Performance
- Political Contributions
- Principal Trading
- Privacy
- Proxy Voting
- Registration
- Regulatory Reporting
- Social Media
- Soft Dollars
- Solicitor Arrangements
- Supervision & Internal Controls
- Trading
- Valuation of Securities
- Wrap and UMA programs

3. Summarize CSC's personal trading policy.

All employees are subject to the policies and procedures of CSC including the Code of Ethics (the "Code"). All personnel are required to read and be familiar with the Code, the Policy, and the Compliance Program.

The policy of CSC is to avoid any conflict of interest, or the appearance of any conflict of interest, between the interests of CSC, its officers, partners, employees, and the interests of CSC's advisory clients ("Clients"). The Investment Company Act and rules require that CSC establish standards and procedures for the detection and prevention of certain conflicts of interest, including activities by which persons having knowledge of the investments and investment intentions of Clients might take advantage of that knowledge for their own benefit.

This Code of Ethics has been adopted by CSC to meet those concerns and legal requirements. Any questions about the Code or about the applicability of the Code to a personal securities transaction should be directed to CSC's designated Chief Compliance Officer, Daniele Beasley. If the Chief Compliance Officer is not available, questions should be directed to a principal of CSC or its Counsel.

Personal Securities Transactions: The Code regulates personal securities transactions as a part of the effort by CSC to detect and prevent conduct that might violate the general prohibitions outlined above. A personal securities transaction is a transaction in a security in which the person subject to this Code has a beneficial interest. Security is interpreted very broadly for this purpose, and includes any right to acquire any security (an option or warrant, for example), and shares of any open-end investment companies for which CSC serves as investment adviser or sub-adviser, or an advisor to any Fund.

Beneficial interest in a security exists when an individual has, directly or indirectly, the opportunity to profit or share in any profit derived from action in the security; or when there is an indirect interest, including beneficial ownership by the individual's spouse or minor children or other dependents living in the individual's household; or where securities are held by a partnership of which the individual is a general partner. Technically, the rules under Section 16 of the Securities Exchange Act of 1934 will be applied to determine if a beneficial interest in a security exists (even if the security would not be within the scope of section 16).

In any situation in which the potential for conflict exists, transactions for Clients must take precedence over any personal transaction. The people subject to this Code owe a duty to Clients to conduct their personal securities transactions in a manner which does not interfere with Clients' portfolio transactions or otherwise take inappropriate advantage of their relationship with Clients. Personal securities transactions must comply with the Code of Ethics and should avoid any actual or potential conflict of interest between Employees' interests and Clients' interests.

Pre-Clearance: All personal securities transactions must be conducted through brokerage accounts that have been identified to the Compliance Officer (or in her absence a Principal of the firm). Each such brokerage account must be set up to deliver duplicate copies of all confirmations and statements to the Compliance Officer. All personal securities transactions must be cleared in advance by the Compliance Officer (or in her absence a Principal of the firm).

Blackout Periods: No personal securities transaction of an investment person will be cleared if (1) a conflicting order is pending for any clients or (2) CSC is actively considering a purchase or sale of the same security. A conflicting order is any order for the same security, or for an option on or a warrant for that security, which has not been fully executed. A purchase or sale of a security is being "actively considered" (a) when a recommendation to purchase or sell has been made for any Client and is pending, or, (b) with respect to the person making the recommendation, when that person is seriously considering making the recommendation.

Absent extraordinary circumstances, a personal securities transaction for an investment person will not be approved until the business day after completion of any transaction for any Client.

4. What AML polices does CSC have in place?

It is the policy of CSC to seek to prevent the misuse of the funds it manages, as well as prevent the use of its personnel and facilities for the purpose of money laundering and terrorist financing. CSC has adopted and enforces policies, procedures and controls with the objective of detecting and deterring the occurrence of money laundering, terrorist financing and other illegal activity. Anti-money laundering "AML" compliance is the responsibility of every employee. Therefore, any employee detecting any suspicious activity is required to immediately report such activity to the CCO, Daniele Beasley. The employee making such a report should not discuss the suspicious activity or the report with the client in question.

Before opening an account for an individual, CSC will require satisfactory documentary evidence of a client's name, address, date of birth, social security number or, if applicable, tax identification number. Before opening an account for a corporation or other legal entity, CSC will require satisfactory evidence of the entity's name and address and verify that the acting principal has been duly authorized to open the account. The CCO will retain records of all documentation that has been relied upon for client identification for a period of five years.

CSC will not open an account or accept funds or securities from, or on behalf of, any person or entity whose name appears on the List of Specially Designated Nationals and Block Persons maintained by the U.S. Office of Foreign Assets Control, from any Foreign Shell Bank or from any other prohibited persons or entities as may be mandated by applicable law or regulation as designated by the OFAC Country Sanctions Program.

CSC's CCO will conduct annual employee training programs for all personnel regarding the AML program. In addition, the CCO will conduct an annual review of existing clients versus the updated SDN and Country Sanctions Program and report any positive findings to management.

5. Is your firm in compliance with the Global Investment Performance Standards (GIPS®)?

Yes. CSC claims compliance with the GIPS® and upon request can provide presentations that are in compliance with the GIPS® standards. We have been verified through June 30, 2016.

6. Are CSC's performance records audited?

Yes. ACA Performance Verification Services has completed its performance examination for our composites through June 30, 2016 and will continue to do so on an annual basis.

7. Please provide an overview of your disaster recovery plan?

CSC has developed a Business Continuity Plan "BCP" on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions are unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our BCP.

Communication: In the event of a major disruption, our main telephone line will be forwarded to an emergency number by Daniele Beasley. If you can't contact us through one of these means, you should contact your custodian to enter any orders and process other trade-related, cash and security transfer transactions. If at all possible, updated contact information in the event of an emergency will be provided via our website, www.covestreetcapital.com.

Our Business Continuity Plan: We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our BCP addresses: data back-up and recovery; all mission critical systems; financial and operations assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical bank and counter-party impact; regulatory reporting; and assuring our clients prompt access to their funds and securities if we are unable to continue business.

CSC back-ups important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our counter-parties that business should resume within 4-24 hours. Your orders and requests for funds and securities could be delayed during this period.

Varying Disruptions: Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a site outside of the affected area, and recover and resume business within 3 business days. In either situation, we plan to continue in business and notify you through our website www.covestreetcapital.com or our customer emergency numbers on how to contact us.

OTHER QUESTIONS WE HAVE FIELDED

1. **How important is the evaluation of management and company visits?**

   The evaluation of management is crucial, as poor strategic and capital allocation decisions can badly hamper an otherwise reasonable business selling at a reasonable valuation. We check in with management to understand the basic game plan, but we have come to appreciate an old saying, “the more we talk to management, the dumber we get.” Thus, we believe a careful analysis of management's background and compensation structure, the composition of the Board of Directors, and following long-term trends in return on invested capital are much more valuable to understand “management” than company presentations.

2. **Should I be concerned about being a large percentage of your asset base or a high percentage of a strategy's assets?**

   To avoid an obvious and self-serving no, let me again steal from Howard Marks at Oaktree Capital who runs $90 billion in assets and for whom this question probably doesn't come up much anymore:

   I've heard committees say, “we don't want to represent more than x% of a manager's assets under management or of the fund's total capital.” But why not? Is the goal better performance or is it safety in numbers? If you're considering investing $10 million with a manager, why does it matter how much money she manages? Why is investing $10mm safe if she manages $1 billion but risky if she manages $50mm? If a manager is unusually skillful, aren't you better off as her client if she manages less money than more? And if a manager was really good, wouldn't you prefer that she managed only your money?

   My most specific and most heartfelt advice is this: The surest way to achieve superior performance is by investing significant amounts with individuals and firms that can be depended upon for investment skill, risk control, and fair treatment of clients.

3. **Do you pursue activist strategies?**

   From time to time in the past, we have moved from our perch as passive investors and engaged management in order to improve current corporate governance practices, redesign executive pay packages, or seriously discuss capital allocation decisions. We would call this more of a “suggestivist” approach rather than activist. Ideally, this is accomplished through rational meetings and conversations with company management and/or the Board of Directors. Our experience in these areas has suggested that further action can periodically be required, as we have noticed that human behavior begins to change when people realize they are being observed. This has involved filing 13-D's with the SEC indicating our interest in pursuing such discussions with company management and other material shareholders. It has also involved negotiating to place new board members at the company to ensure shareholder rights are being properly respected. Our goals are very simply to protect our rights as shareholders as well as to encourage actions that benefit all shareholders and we weigh the gains to be had versus the time and dollars that need to be expended to achieve such an end. It is not our favorite way to spend our time.

4. **How do you quantify Risk/Reward?**

   Before one makes an investment, you must have some approximation of a target price. Proceeding without one is equivalent to trying to throw a ball at a target blindfolded. Additionally, one attempts to also quantify the risk of being somewhat to terribly wrong under a variety of scenarios. Both processes are “multi-variate” which incorporates a number of possible outcomes, both positive and negative. Portfolio weights also come into play here as higher reward/higher risk specific ideas can be risk-weighted in the portfolio by a smaller position. It is crucial to understand that "quantification" of target prices can be highly imprecise, subject to great change with the passage of time and/or the panoply of unforeseen circumstances.

5. Does your organization allow for the integration of environmental, social, and corporate governance (ESG) issues in investment processes?

We have managed ESG clients for 20 years and are very comfortable managing these issues per client request on a separate account basis. Such accounts are electronically coded within Moxy and APX for restrictions and asset allocation, and cannot be over-ridden without review from the compliance officer.

6. Shouldn't Cove Street specialize in either "Graham" or "Buffett" stocks and develop a deep understanding of the stocks that fit those criteria as opposed to investing in both types?

No. There are no points for purity given out in performance rankings. "Value" innately involves the analysis of the nature of the underlying business, an estimate of what it is worth and a judgment call as to the competence and incentive of management to deliver value growth or to take steps to close the gap between the security price and the intrinsic value. Ignoring any part of this triad can lead to permanent capital loss. The process for identifying "value" is exactly the same in either what can be termed a "Buffett" or "Graham" approach—what is different is how an investor weights the factors. There are simply times when the price of a security more than compensates you for business risk and there are times where the price is so egregious that it puts you at risk of permanent capital loss no matter how good the business. We also think people misunderstand much of what Buffett professes, as much of it is due more to the size of his portfolio than some intellectual fault with buying statistically cheap stocks.

7. With respect to the sell discipline, what prompts a review? How do you apply your sell discipline to the Buffett values?

1. Valuation.

2. A corporate event that requires possible action.

3. Under continuous analysis theory, the conclusion has been reached that a mistake has been made in our analysis that risks permanently impairing our capital.

4. A better idea has been found and we can upgrade the price/value of the portfolio.

5. We often use a tree vs. table analogy for the Buffett vs. Graham comparison. Buffett values are like trees that increase their intrinsic value as they grow at a rate generally equal to their cost of capital. Every year they are a little bigger and a little more valuable. Graham values on the other hand are tables, also made out of wood, but they don't grow over time. Two years from now a table is still a table and it's intrinsic value has not changed. These Graham values are bought to be sold when the prices reaches our initial estimate of fair value.

8. How does the rise of ETFs impact value investing and small cap value investing in particular?

Anything that creates more money not paying micro attention to individual securities is a long term positive in our opinion.

9. At certain points, you have had significant energy exposure. How do you create alpha in a commodity driven industry?

A major and underappreciated change in capital allocation strategy is a very plausible way to make superior returns in commodity businesses from time to time. That said, we are generally not a fan of business models that are tremendously dependent upon a commodity variable.

10. **Do you have a specific required rate of return hurdle for each stock that is purchased in the portfolio?**

    We target a 50% return threshold over 3 years with a downside of boredom.

11. **How do you get comfortable with the downside scenarios? How do you know that the downside is boredom?**

    While the future remains uncertain, we use deep fundamental work, multi-variate analysis versus one measure of value, absolute and relative work, and experience. We attempt to be savvy about “risk-weighting” positions with higher risk/reward scenarios so that the penalty for a mistake is minimized. We assume our downside is 20% below our pessimistic scenario.

12. **Why have the 2.5% and 5.0% positions? Isn't there incremental value in more actively managing the weights within the portfolio?**

    Less is more. The value-add is in the security selection, not wasting time in making frequent position changes. We will “shade” a position but hold that activity up to a materiality bar.

13. **I plugged your portfolio into our software and then marked it up to 1.3 billion in assets and determined that it would take you 23 years to sell “----”...and a number of others would have liquidity problems?**

    That is a theoretical exercise that is not really applicable in day-to-day portfolio management. The fact of life as a small cap manager is that you are buying x stocks at 100mm in assets that you cannot buy at 300mm in assets...and there are stocks you are buying at 300mm in assets that you can't buy at 600mm in assets etc. We have no issues with 4 to 5 stocks out of 34 being “private equity” like - one of the core fundamentals of the longstanding academic support for why small cap value outperforms is fear of liquidity—we take advantage of that but recognize there is a limit to how far you can take it. We also invested in an experienced trader which is a key factor in finding liquidity on both sides. Liquidity is an ephemeral issue—you cannot take 30 day averages and project it into the future. There is often huge liquidity at inflection points which dries up in the “middle.” Ideally, we are there at both inflection points—distressed value and then excitement and greed.

14. **How do you ensure that the statistically cheap stocks aren't value traps?**

    Value traps are always value traps...in hindsight. In other words, if it works, it's not a value trap. There are certain characteristics that lead to value traps. For example, a company with an extremely conservative financial policy and entrenched management that has no desire to increase the dynamism of the company or to realize the value in the security can lead to a value trap—you can be sitting with something for a very long time with relatively little growth in intrinsic value or a corporate event which captures much of the disparity between the market price and asset value.

    The question in avoiding a value trap is twofold. First, are the dominant shareholders or management incentivized to have some kind of a transaction that's going to increase the market value of the company in the reasonably near future? And second, is the intrinsic value of the company increasing at a relatively attractive rate of return? If you've got the latter, then presumably the valuation is going to rise at least at that rate of return, even preserving a big sum-of -the-parts discount under an unfavorable value trap situation. What you'd love to have is both, but what you want to avoid is where you have neither.

15. Does our $1.3 billion of Small Cap Capacity account for growth in All Cap?

This relationship is a sliding scale. Our assumption for $1.3 billion in small cap is that All Cap shows modest growth. If All Cap grows materially before Small Cap, then we will revise the capacity of Small Cap down.

16. Has there been an evolution in the investment philosophy?

There is less evolution in the philosophy than evolution in the process—we are always seeking to get better and smarter about understanding businesses, valuation, and people—and how to evaluate them.

17. Give examples of grass roots research that you have performed, why you decided to do this work and the benefits derived.

There is no such thing as "grass roots" research. If what you mean is "non-Wall Street" research, then the answer is nearly everything we do constitutes GRR. We build our own models, we pay industry consultants where we think we need additional background, we subscribe to many industry newsletters or blogs—free and paid—to find differing views of an industry, we attend industry trade shows, we utilize Linked-In to find industry sources to talk to, we visit companies and management to further our knowledge and build relationships.

18. Is the firm a Qualified Professional Asset Manager (QPAM)?

Yes.

19. Do you believe that an investment approach that worked in the past may not work in the future and, therefore, that you need to change or modify your investment approach over time?

We think common sense and at least a few hundred years of history support the idea that carefully researching a select group of investment ideas that reasonably appear to be selling at a discount to intrinsic value is not an approach that is in danger of dying out. Our approach may fall into or out of favor from time to time, but we believe that sticking to our core philosophy and process give us the best chance of success over time.

20. Do you establish price targets for each security in the portfolio? If so, how are they determined? How do you think about downside risk when you are analyzing a stock? Do you like to see a minimum upside/downside relationship?

We establish price target ranges for each security that enters our Stage 3: Team Tackle + Deep Dive. We take a multivariate approach to identify the intrinsic value of securities and the underlying companies. The range of tools that we apply includes discounted cash flow, historical comparable trading multiples, private market value, and asset-based methods. No single valuation methodology is applicable in each situation across our investment universe, so we are nimble in terms of using the correct set of tools given the specific company being considered.

We feel giving a voice to the "short" (Devil's Advocate) and developing the Alternative Competing Hypothesis creates a dynamic where there is healthy debate and a more conservative view both in terms of the upside and downside assessments and the corresponding risk/reward of the opportunity. In addition, the team identifies four critical variables that we believe will be outcome determinative. To the extent these variables are quantitative in nature we test the model to assess value in downside scenarios. We very specifically use different valuation models as to not be led down an erroneous path by one variable. We use sensitivity analysis extensively. Price targets are continuously updated as we adapt to new information.

We don't have a specific target for the upside/downside relationship, but we do look for companies with asymmetrical outcomes where the downside is boredom.

21. Is there an optimal environment for your investment approach? What kinds of markets would you perform best in? Worst in?

The goal of a value manager should always be "competitive returns in up-markets and outperformance in down-markets." With the exception of 2008/2009, a period which completely flipped that mantra on its head, that is what investors should expect over the long run. We anticipate that we would do well on an absolute basis in most environments that are dissimilar to 2008 as we have a relatively concentrated portfolio that enables security specific value recognition to deliver performance away from market returns.

22. Describe your approach to compensation, including structures in place that entice employees to remain at the firm.

The principals of Cove Street have over 27 years of process in developing appropriate compensation structures to attract and retain talent. We pay well. We pay for a combination of performance, teamwork and thinking like an owner at all times. We do not think elaborate schemes tied to micro and short term goals serves the generation of long-term performance. Competitive salaries, bonuses, and equity ownership intelligently used are more than sufficient to create and retain a dynamic environment.

23. What is your Mission Statement?

Continually improving a world-class investment organization that delights clients with excellence in performance and client service, and inspires colleagues with a collegial meritocracy that rewards intellect and results.

24. What are some common traits of good investors?

To quote Uncle Buffett, "A firmly held philosophy not subject to emotional flow. Good investors are data driven and enjoy the game. These are people doing what they love doing. It really is a game, a game they love. They are driven more by being right than making money, the money is a consequence of being right. Toughness is important. There is a lot of temptation to cave in or follow others but it is important to stick to your own convictions. I have seen so many smart people do dumb things because of what everyone else is doing. Finally good investors are forward looking and don't dwell on either past successes or failures but rather look toward the future."

25. Website quotes:

"Only with confidence created by a strong decision-making process can investors sell mania-induced excess and buy despair-driven value." —David Swensen

"Obvious prospects for physical growth in a business do not translate into obvious profits for investors." —Ben Graham

"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." —Warren Buffett

"Everything should be made as simple as possible, but not simpler." —Albert Einstein

"The four most expensive words in the English language are, 'This time it's different." —Sir John Templeton

"The stock market is filled with individuals who know the price of everything, but the value of nothing." —Philip Fisher

"If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring." —George Soros

"When a management team with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact." —Warren Buffett

"Rarely do more than three or four variables really count. Everything else is noise." —Marty Whitman

"It isn't the head but the stomach that determines the fate of the stock-picker." —Peter Lynch

"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right." —Ben Graham

"Sir Isaac might well have gone on to discover the Fourth Law of Motion: For investors as a whole, returns decrease as motion increases." —Warren Buffett

"A wealth of information creates a poverty of attention." —Herbert Simon

"It turns out that value investing is something that is in your blood." —Seth Klarman

"The desire to perform all the time is usually a barrier to performing over time." —Robert Olstein"

"Diligence is the mother of good fortune." —Miguel de Cervantes"

"I try to initiate change through provocation, irony or violent criticism and also if necessary, through logical explanation." —Nicolas Hayek, Swatch

"Stocks aren't cheap and popular at the same time." —Unknown

"The way to win is to work, work, work, work and hope to have a few insights...And when you get a few, you really load up. It's just that simple." —Charles Munger

"We don't have an analytical advantage, we just look in the right place." —Seth Klarman

"The truth does not change according to our ability to stomach it." —Flannery O'Conner

"The average long term experience in investing is never surprising, but the short term experience is always surprising." —Charles Ellis

"In the beginner's mind there are many possibilities, but in the expert's mind there are few." —Zen Master Shunryu Suzuki

"The value premium is compensation for living with the stress of ownership that the seller can no longer endure." —Lewis A. Sanders

"The essence of investment management is the management of risks, not the management of returns." —Benjamin Graham

"A lot of people die fighting tyranny. The least I can do is vote against it." —Carl Icahn

"Idle dreaming is often of the essence of what we do." —Thomas Pynchon

"Research is what I am doing when I don't know what I am doing." —Wernher von Braun

"Usually a very long list of securities is not a sign of the brilliant investor, but of one who is unsure of himself." —Phillip Fisher

"Never invest in any idea you can't illustrate with a crayon." —Peter Lynch

"Choosing what data to collect takes insight; making good sense of the data collected requires the classic methods." —Emanuel Derman

"...Create a culture that breeds an endless search for ideas that stand or fall on their own merits rather than the rank of their originator..." —Jack Welch

"Do nothing for as long as possible... Slow preparation, fast execution... Question the heroic approach... Voice your suspicions..." —Brian Eno

"I not only use all the brains that I have but all I can borrow." —Woodrow Wilson

"We are responsible for the world in which we find ourselves, if only because we are the only sentient force which can change it." —James Baldwin

"We make a living by what we get, but we make a life by what we give." —Winston Churchill

"It's not what you look at that matters. It is what you see." —Thoreau

"For every one of our failures, we had spreadsheets that looked awesome." —Scott Cook, Chairman of Intuit

"If you have an important point to make, don't try to be subtle or clever. Use a pile driver. Hit the point once. Then come back and hit it again. Then hit it a third time—a tremendous whack." —Winston Churchill

"I take some malicious pleasure in saying it's the book on finance (Security Analysis) that's been read by more people and disregarded by more people than any other that I know of." —Ben Graham

"The daunting realization is that we don't know what the hell we're doing in most fields of life, especially the ones that involve people." —Richard Thaler

"If you develop competence, have passion for what you do and approach everything with honesty, the outcome will always be fine." —Jimmy Page

"But something about which I feel strongly is that it's not the things you buy and sell that make you money; it's the things you hold." —Howard Marks

"It takes a genius to whine appealingly." —F. Scott Fitzgerald

"That's always been a big problem with me...I find it hard to get old and hard to say no." —Ronnie Wood

"You don't become a value investor for the group hugs." —Seth Klarman

"It is difficult to get a man to understand something when his salary depends upon his not understanding it." —Upton Sinclair

"If you're looking for a manager, find someone who is intelligent, energetic and has integrity. If he doesn't have the last, make sure he lacks the first two." —Warren Buffett

"Knowledge is knowing that a tomato is a fruit. Wisdom is not putting it in fruit salad." —Miles Kington

"A society that puts equality before freedom will get neither." —Milton Friedman

"Creativity is the power to connect the seemingly unconnected." —William Plomer

"Le petit quelque chose qui fout tout par terre." —Unidentified Frenchman

"What is your idea of earthly happiness? To be vindicated in my own lifetime." —Christopher Hitchens

"If you can see the light at the end of the tunnel, it's probably too late." —Mark Mobius

"Our main business is not to see what lies dimly at a distance, but to do what lies clearly at hand." —Thomas Carlyle

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APPENDIX

LEADERSHIP

Jeffrey Bronchick, CFA | Principal, Portfolio Manager | Mr. Bronchick is the Portfolio Manager and co-founder of Cove Street Capital (CSC). He has over 30 years' experience running research-driven, concentrated, value-based strategies across all market capitalizations. Prior to the founding of CSC, Mr. Bronchick was the Chief Investment Officer and a lead principal of Reed Conner & Birdwell, LLC, a Los Angeles based investment manager. He was one of the first columnists for the TheStreet.com in the 1990's and then moved on to a similar role with Grant's Interest Rate Observer's first online effort. Mr. Bronchick also previously worked in research and trading roles at Neuberger Berman, Bankers Trust, and First Boston. He attended the London School of Economics and graduated from the University of Pennsylvania with a BA in Economics.

Daniele Beasley | Principal, President | Cove Street has built an institutional quality infrastructure led by our President and co-founder, Daniele Beasley, who worked with Mr. Bronchick at Reed Conner & Birdwell RCB in a similar capacity for 11 years. She has an additional ten years' experience working in operations and compliance at Helix Investment Partners, L.P. and Houlihan, Lokey, Howard & Zukin Investment Management. She also formerly served as the First Vice President on the Board of Directors of The Saban Free Clinic and as an institutional member on the Yo San University Board of Trustees. Ms. Beasley received her MBA from the PKE Program at Pepperdine University and completed the Executive Program at the UCLA Anderson School of Management.

RESEARCH + INVESTMENTS

Ben Claremon | Principal, Research Analyst | Ben Claremon joined Cove Street in 2011 as a research analyst. Previously he worked as an equity analyst on both the long and the short side for hedge funds Blue Ram Capital and Right Wall Capital in New York, and interned at West Coast Asset Management in Santa Barbara. Prior to that, he spent four years with a family commercial real estate finance and management business. Mr. Claremon was also the proprietor of the value investing blog, The Inoculated Investor. His background includes an MBA from the UCLA Anderson School of Management and a BS in Economics from the University of Pennsylvania's Wharton School.

Dean Pagonis | Research Analyst | Dean Pagonis joined Cove Street in 2014. During business school in 2013, he consulted on distressed assets for the private equity firm Origami Capital, after winning their $50,000 international prize for investment ideas. Prior to business school, Mr. Pagonis was an analyst at the asset management firm Fort Point Capital Partners in San Francisco. He began his career as an analyst at the Abraxas Corporation, where he provided research for the US defense community and fund managers. Mr. Pagonis received his MBA at the UCLA Anderson School of Management and earned his BA in International Studies from American University with Phi Beta Kappa honors.

Eugene Robin, CFA | Principal, Research Analyst | Eugene Robin joined Cove Street in 2011 as a research analyst from Proton Capital, a family office where he developed investment ideas in both public and private markets. He was also responsible for vetting and monitoring investments in the alternative asset space. Mr. Robin previously worked at ViaSat as a software engineer. He holds an MBA from the UCLA Anderson School of Management and a BA in Computer Science from UC San Diego.

BUSINESS DEVELOPMENT + CLIENT SERVICE

Paul Hinkle | Principal, Director of Client Portfolio Management | Paul Hinkle joined Cove Street in 2012 and brings nearly 15 years of experience in the financial services industry. Previously Mr. Hinkle was a Vice President at Guggenheim Partners, where he executed M&A advisory and financing transactions for both middle-market and large cap companies. Mr. Hinkle had similar roles at Bear, Stearns & Co. and Needham & Company. In addition, Mr. Hinkle founded Silverstrand Enterprises, a consulting practice focused on start-up companies in Southern California. Mr. Hinkle earned his BA in International Relations from Stanford University and his MBA from the UCLA Anderson School of Management with concentrations in Finance and Entrepreneurial Studies.

Kelli Manthei | Principal, Director of Design | Prior to joining Cove Street Capital in 2011, Ms. Manthei spent 4 years at Reed Conner & Birdwell in administration and marketing support. Before entering the investment industry, she was a managing editor of the Hometown News—a West Los Angeles community newspaper, cofounded Gallery 1927 at the historic Fine Arts Building in downtown Los Angeles, and operated a logo design and brand consultation business beginning in 2005. Ms. Manthei holds a BA in Fine Arts from Otis College of Art and Design and has been awarded the Claritas® Investment Certificate.

OPERATIONS + COMPLIANCE

Kristin Chandlee | Operations Assistant | Kristin Chandlee joined Cove Street Capital in 2014. Previously she worked as an assistant at an actuarial firm as well as an entertainment firm. Ms. Chandlee holds a BA in Fine Arts from California State University, Northridge and has been awarded the Claritas® Investment Certificate.

Andy Harnett | Trading + Operations Associate | Andy Harnett joined Cove Street Capital in 2015 to round out our operations team. He has an additional four years of experience while working in similar roles for Farallon Capital Management and Wells Fargo Securities in San Francisco. Mr. Harnett holds a BA in Political Science from the University of California Santa Barbara.

Merihan Tynan | Director of Operations | Merihan Tynan joined Cove Street Capital in 2015 to complete our compliance team as the Director of Data. She has over ten years' experience in Operations, Due Diligence and Senior Client Service in both Back office and Hedge Fund businesses. Prior to joining Cove Street Capital, Ms. Tynan led a Client Services team at SS&C GlobeOp in Mumbai, India. She was relocated from the London SS&C office to build a new Client Relationship Management group to cater for certain clients and Due Diligence requirements. Ms. Tynan initially started at Cove Street Capital in our Operations & Trading team, this has helped her develop an understanding of our business culture and philosophy. Ms. Tynan holds a BA in International Business and French languages from the University of Brighton; United Kingdom

Matthew Weber | Principal, Director of Trading | Matt Weber joined Cove Street Capital in 2013 to complete our trading team as the Director of Trading & Operations. He has over fifteen years of experience on both buy and sell-side trading desks and on both the long-only and hedge fund sides of the business. Prior to joining Cove Street Capital, Mr. Weber led a sales trading team at Access Securities in Stamford, CT, was the head trader and operations expert at Lakeway Capital in El Segundo, and was most recently the Co-Head of Trading at Lombardia Capital in Pasadena where he focused on both international and domestic trading. Mr. Weber holds a BA in Business Administration from the University of San Diego.