DISTILLATE CAPITAL

2021 Q2 Letter to Investors

Strategy Description

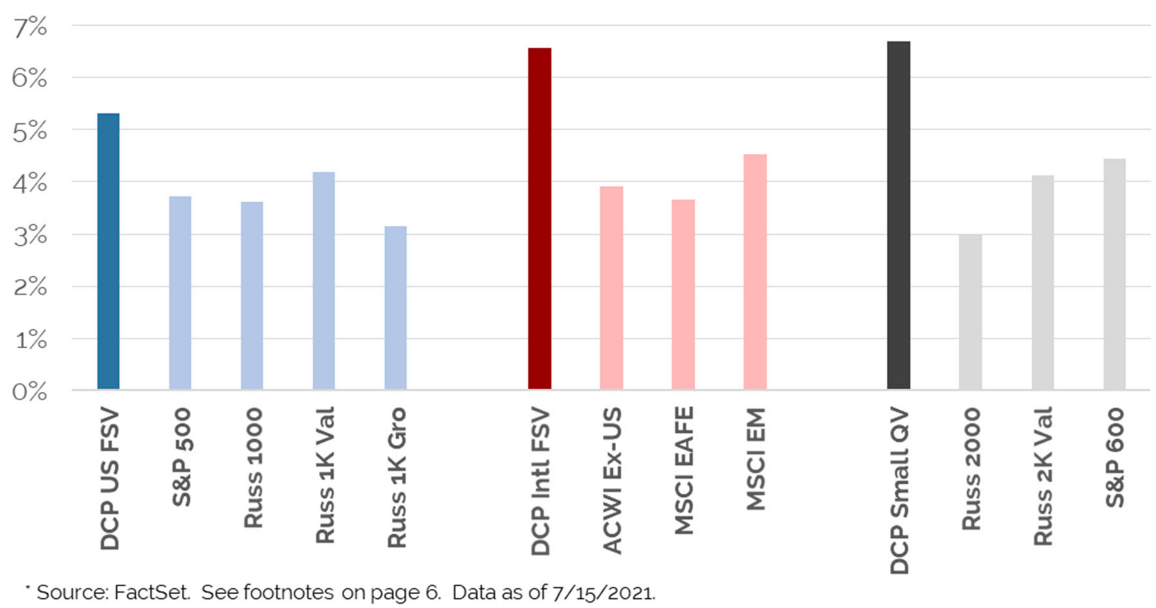
Distillate Capital's U.S. and International Fundamental Stability & Value (U.S. FSV & Intl FSV) strategies seek to outperform over the long-term by investing in stocks that are more fundamentally stable, less levered, and more attractively valued. Distillate's Small Cap U.S. Quality and Value (U.S. SQV) seeks to do the same by focusing valuation and indebtedness.

Performance Summary: The U.S. and International Fundamental Stability & Value strategies gained 5.73% and 4.48% on a total return basis for the quarter, respectively. The U.S. portfolio lagged its S&P 500 benchmark by around 2.8% in the quarter, which offset most of the relative gain from the first quarter such that first half performance of the strategy is now 10 basis points ahead of that benchmark. The gains in the international portfolio likewise lagged the benchmark, the iShares MSCI ACWI ex-US ETF, in the quarter and first half performance is trailing that benchmark by just under 3.0% after outperformance of around 8.0% last year (See **Figures 2 & 3** on the following page). Annualized returns net of fees for the U.S. and International strategies remain solidly ahead of their primary benchmarks by around 2.0% and 3.0%, respectively, since inception.

Distillate's U.S. Small Cap Quality & Value strategy, where the drivers of portfolio construction are valuation and leverage, continued to perform very well in the second quarter. Its first half return of 33.47% is well ahead of both the Russell 2000 and Russell 2000 Value benchmarks with outperformance this year of 16% and 7%, respectively. This follows strong outperformance in both 2019 and 2020 such that annualized returns since inception, net of fees, are ahead of the iShares Russell 2000 ETF and the iShares Russell 2000 Value ETF benchmarks by nearly 7% and more than 10%, respectively (See **Figure 4** on the following page).

Valuation Summary: Amid ongoing strong equity performance and with pockets of extremely rich valuations, we believe it remains critical to be disciplined on price and to employ a valuation methodology that is meaningful and efficacious in an asset-light world where many traditional metrics have lost meaning. **Figure 1** highlights how our strategies compare to a variety of benchmarks on the basis of next-twelve-month estimated free cash flows relative to enterprise value (EV). This comparison highlights the relative attractiveness of our strategies in addition to the improving opportunity outside the U.S. and need to be particularly value-disciplined in the small cap space within the U.S.

Figure 1: Next-Twelve-Month Estimated Free Cash Flow to Enterprise Value (7/15/2021)



* Source: FactSet. See footnotes on page 6. Data as of 7/15/2021.

Performance Charts: **Figures 2 through 4** show annual and 2021 year-to-date performance for Distillate's U.S. and Intl. FSV strategies and its U.S. Small Quality Value (U.S. SQV) strategy versus their respective benchmarks since inception.

Figure 2: Performance of Distillate's U.S. FSV Strategy (through 6/30/2021)

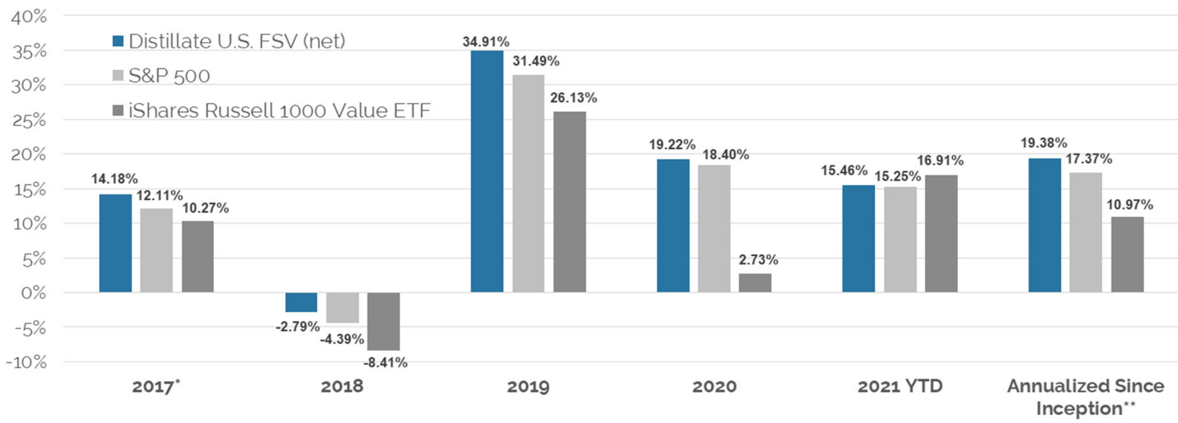


Figure 3: Performance of Distillate's International FSV Strategy (through 6/30/2021)

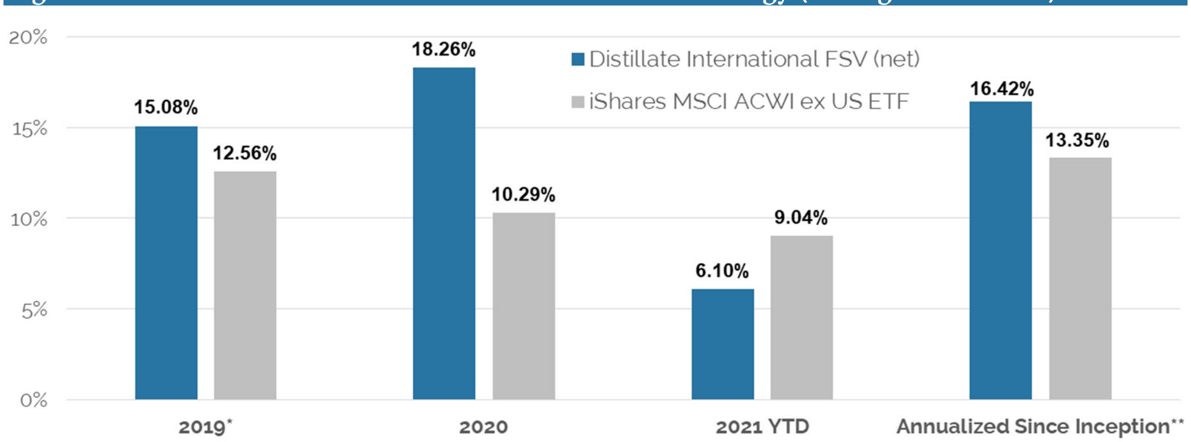
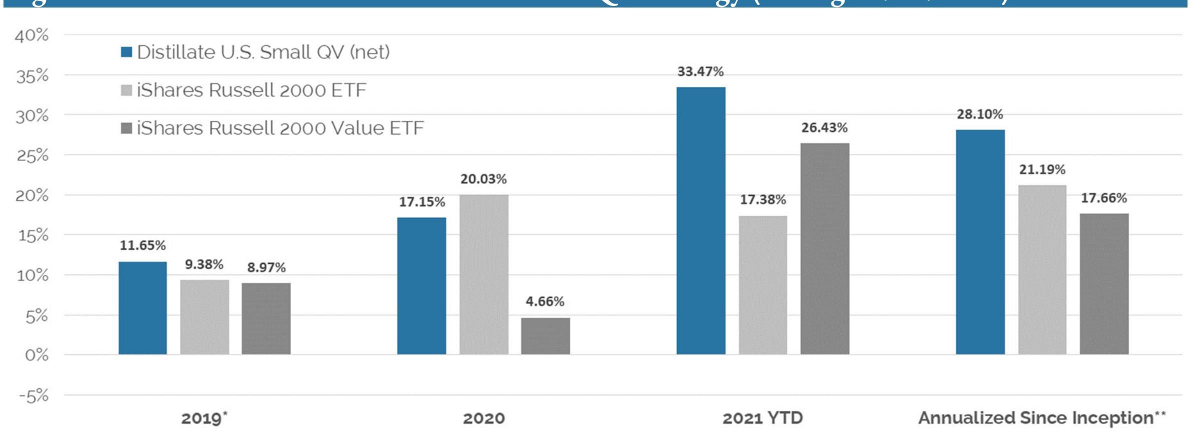


Figure 4: Performance of Distillate's U.S. Small QV Strategy (through 6/30/2021)



* Strategy inception of 5/31/2017 to 12/31/2017 for US FSV; 1/31/2019 to 12/31/2019 for INTL FSV; and 3/31/2019 to 12/31/2019 for US SQV.
** Strategy inception of 5/31/2017 for US FSV; 1/31/2019 for INTL FSV; and 3/31/2019 for US SQV.
Sources: U.S. Bank, Interactive Brokers, iShares.com. Please see important performance disclosures at the end of this document.

Valuation & Quality vs. Indexes

In addition to shifting the performance charts to the second page to accommodate three strategies (and before discussing performance and portfolio changes in greater detail on the following pages), we are now including a series of three charts on the next page that summarize the valuation and quality metrics for our strategies compared to a range of key indexes. We believe that these are the most relevant charts for measuring valuation and quality characteristics for our strategies and for understanding how our portfolios differ from comparable indexes.

Starting with valuation, **Figures 5** compares next-twelve-month estimated free cash flows to enterprise value. This measure is slightly different from the normalized cash yield methodology that we use to value individual stocks, but is easier to use across a variety of benchmarks and we believe is still relevant in that while it is important to smooth out the variability in annual working capital or capital expenditures from year to year for an individual stock, much of this gets washed out when looking at an index or portfolio of many stocks. We therefore use a straight-forward measure of next-twelve-month estimated free cash flows as the numerator in the valuation metric and our measure of enterprise value in the denominator. In **Figure 6**, fundamental stability is measured identically to how it is done in our portfolio construction measuring the through-cycle variability of cash flows with a higher score equating to greater stability. Lastly, in **Figure 6**, leverage looks at total debt relative to normalized consensus estimates for earnings before interest, taxation, depreciation, and amortization (EBITDA).

Overall, the charts highlight what would generally be expected based on the construction methodology of each strategy—the U.S. and International FSV strategies offer higher free cash flow yields, more stable underlying fundamentals, and low levels of debt, while the U.S. small cap strategy provides a significantly higher free cash flow yield with substantially lower debt than standard small cap benchmarks. Beyond this more obvious takeaway, we believe there are several other differences to note.

First, in the large-cap U.S. space, Distillate's U.S. FSV valuation premium is significantly above all of the benchmarks, including the Russell 1000 Value benchmark. It is notable that the difference between the various benchmarks is not as great as might be expected with only a percentage point of difference between the value and growth benchmarks despite significant underperformance of the former. We have written previously about the lack of value in the "value" benchmark and believe that much of the underperformance in that benchmark until recently is attributable to the fact that it was actually more expensive than the overall market for much of the past decade. At long last and after significant underperformance, the value index is now cheaper than the broad market. Its valuation premium, however, is only modest and comes with significantly reduced fundamental stability, much greater financial leverage, and sector concentration. Distillate's U.S. FSV strategy, by contrast, offers a significantly better valuation, with more stable fundamentals, much less debt, and much greater diversification than the value index.

Second, international valuations are finally more attractive than those domestically. This comes after a period of significant underperformance and despite the typical commentary over the prior decade that declared foreign stocks cheaper based on outdated valuation metrics. So while the U.S. large cap benchmark was previously cheaper and of higher quality, which made it the clear winner from an allocation point of view, the international benchmark is now slightly better valued, though still it exhibits lower quality based on fundamental stability and leverage. We believe this is why it is critical to focus on both of these quality characteristics when investing abroad and why Distillate's International FSV strategy is even more differentiated versus its benchmark index on these metrics than is the case in with the U.S. FSV portfolio. In addition to substantially greater fundamental stability and lower leverage than the ACWI Ex-U.S. benchmark, Distillate's International FSV also takes advantage of the wide dispersion in international valuations to achieve a free cash yield premium that is also substantially better than the benchmark.

Third, small cap valuations in the Russell 2000 benchmark have fallen significantly in the wake of strong price gains. The Russell 2000 Value offers a more attractive yield, as does the S&P 600 small cap index, which screens out a number of unprofitable stocks that are found in both of the Russell indexes. Distillate's small cap strategy, however, offers a significantly higher free cash yield than either of those benchmarks and a substantially better valuation than the Russell 2000 Index. Fundamental stability is generally similar across all small cap benchmarks as well as Distillate's SQV strategy, where it is not factored into the portfolio construction. Stability is not included as a selection criteria in Distillate's SQV portfolio as this data is not always available in the small cap space given the shorter histories of many companies along with the fact that when it is, the score tends to be somewhat more volatile. Free cash flow stability has resultingly tended to be a less useful indicator of quality and capital preservation than in the larger cap setting. Leverage on the other hand, is still a critical measure of quality in the small cap space. Leverage is also notably higher than among large cap stocks despite the fact that the businesses of smaller companies tend to more volatile and therefore less likely to be able to support large debt-loads. The low leverage in our small cap strategy is therefore a key differentiator versus each benchmark in the small cap universe.

Overall, beyond the differentiating characteristics of our strategies, we think these charts highlight several key risks in the U.S., international, and small cap spaces of which investors should be cognizant. Namely, valuations are stretched among some larger U.S. stocks, even within the value benchmarks. Second, valuations abroad are now more attractive, but quality is generally lower. And third, valuations are rich, as is financial leverage in many small cap indexes.

Valuation & Quality Comparison Charts: Figures 5 through 7 highlight how Distillate's U.S. and International FSV strategies are differentiated from benchmark indexes by offering higher free cash valuations with more stable fundamentals and low levels of debt while Distillate's U.S. small cap strategy provides a better valuation and considerably less debt than standard small cap benchmarks.

Figure 5 (Valuation): Next 12-Month Free Cash Flow to Enterprise Value*

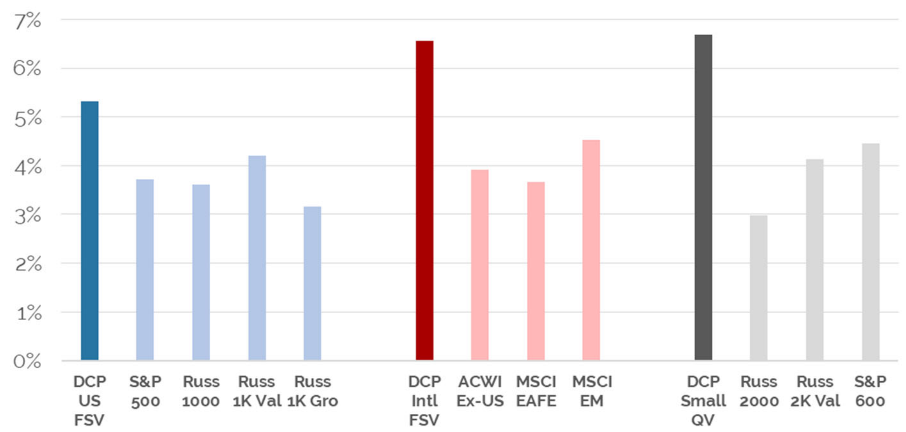


Figure 6 (Quality): Distillate's Cash Flow Stability Score*

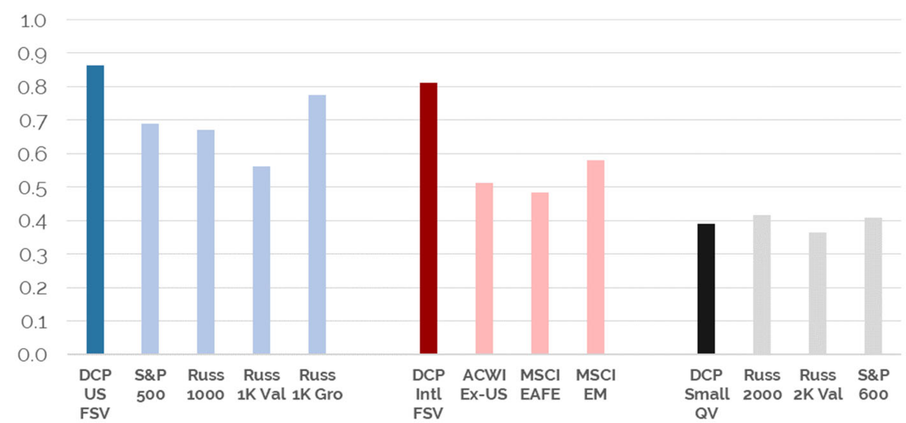
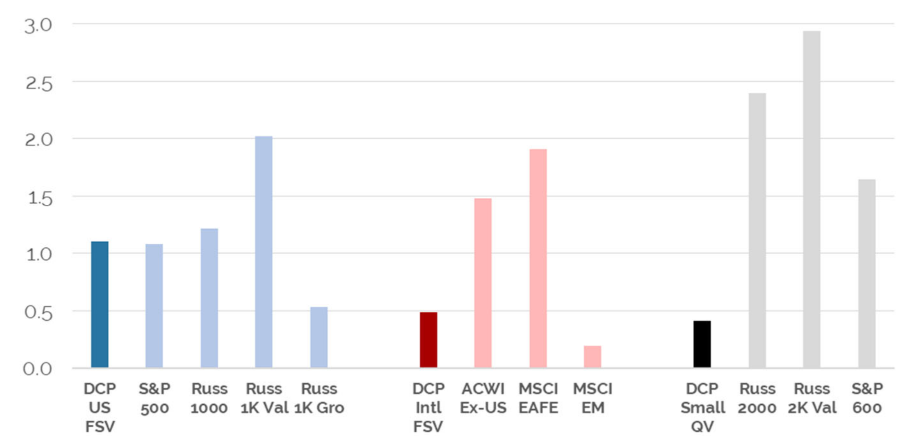


Figure 7 (Quality): Net Debt to Adjusted EBITDA*



* Source: FactSet. See footnotes on page 6. Data as of 7/15/2021.

Performance

U.S. Fundamental Stability & Value (U.S. FSV)

After being ahead of the S&P 500 benchmark by almost 3% in the first quarter of the year, the U.S. FSV strategy gave up most of this advantage in the second quarter as the market rallied, driven by a number of unowned stocks that in our work had already looked richly valued on a free cash flow basis. In one case, the chip-maker Nvidia was up around 50% in the quarter, creating a 40 basis point relative performance drag by itself versus the S&P 500. Gains in other richly valued unowned stocks like Microsoft subtracted 35 basis points and Adobe and PayPal each subtracted another 10 basis points from relative performance. In terms of owned stocks, the three worst performers were Citrix, Cognizant, and Intel which fell by 16%, 11%, and 11% in the quarter respectively, and weighed on relative performance by a combined 40 basis points.

Attribution by sector was fairly flat in the quarter with the overweight in industrials, which underperformed the index, generating a roughly 40 basis point drag on relative performance. As a reminder, sector weights are driven by bottom-up stock selection and reflect the attractiveness of the stocks within the sector on the basis of free cash flow valuation and quality. For the first half of the year, sector weights have been a drag of just over 1% which is due almost entirely to being underweight in the financial and energy sectors which have significantly outperformed. That sector weights have had a fairly mild impact on the relative performance of the portfolio in the first half of the year despite enormous dispersion is consistent with the design of the strategy and the goal of having individual stock selection be the dominant driver of relative returns over the long-term.

International Fundamental Stability & Value (Intl. FSV)

After outperforming the iShares MSCI ACWI Ex-US ETF benchmark by around 8% last year, the International FSV strategy's total return of 6.10% lagged the benchmark by just under 3% in the first half of this year **(See Figure 2)**.

Broadly, underperformance falls into three categories. First, several individual stocks have weighed on performance with two of the portfolio's largest positions, Alibaba and Samsung, hurting relative performance by around 30 basis points each. The underperformance in Vipshop, which sold off amid the Archegos liquidation, was another drag of 30 basis points on relative performance. Second, the strong performance of bank stocks, where high leverage, low stability, and lacking free cash flows will limit ownership in the Intl FSV strategy, has reduced relative performance by around another percentage point in the first half of the year. In general, sector weights should not have an outsized impact on performance for the strategy over time, as is the goal with the U.S. strategy. That said, the strategy's general aversion to owning bank stocks for the reasons noted above will lead to an underweight in this industry which is much larger internationally at around a 12% weight in the ACWI Ex-US benchmark, versus domestically where it is just under a 5% weight in the S&P 500 Index. The international strategy may therefore vary in performance on a quarter-to-quarter basis more than is the case domestically if bank stocks are rising or falling sharply. Over time, given the goal of protecting capital in down-markets, we believe the general lack of exposure to highly-indebted, balance-sheet-driven financials makes sense and we believe this to be especially true internationally where many banks are captive to local governments and not necessarily run for the benefit of shareholders. At times like the present when banks are rising substantially, this aversion may result in relative underperformance. Third, the portfolio has lagged the benchmark by over a percentage point due to performance in the metal and mining industry. This resulted from an underweight in certain mining and steel stocks that have risen sharply in the first half of the year. Those stocks have a legacy of volatile fundamentals, and several are also financially levered and therefore not constituents in our portfolio.

Lastly, regional performance is worth mentioning. Individual stock selection drives sector and region weights, though regions are limited to being no more than 50% above their corresponding underlying benchmark weight. In the first half of the year, region weights have had a modest impact on relative returns and are responsible for little of the underperformance. The overweight in China and Hong Kong, where valuations look attractive, led to a roughly 0.5% relative underperformance versus the benchmark which was somewhat offset by a small underweight in South America and overweight in North America.

U.S. Small Quality & Value (U.S. SQV)

Like with the U.S. large cap and international FSV strategies, Distillate's small cap U.S. strategy seeks to outperform its benchmarks over the long-term by combining the attributes of valuation and quality. Unlike those strategies, though, it holds 125 names rather than 100 to broaden its reach and reduce average position sizes. It also does not factor in long-term fundamental stability, where the data is not always available for stocks in the starting universe given shorter histories and the tendency for the data that is available to be less meaningful as an assessment of overall quality. The small cap strategy also uses tailing free cash flow data rather than forward estimates to arrive at an estimate of a normalized cash yield due to reduced availability of forward estimates.

Strong performance for the U.S. SQV strategy continued in the second quarter both in absolute terms and relative to the iShares Russell 2000 ETF and iShares Russell 2000 Value ETF benchmarks. By stock, the top performers in the first half include PBF Energy, Signet Jewelers, Chico's, Consol Energy, Abercrombie and Fitch, and Ultra Clean Holdings, which each added over 60 basis points of relative performance. The largest detractors from relative performance in the first half of 2021 included several unowned "meme" stocks such as AMC Entertainment and Gamestop, which were up more than 2,500% and 1,000%, respectively, and combined to weigh on relative performance by around a full percentage point.

Portfolio Changes & Valuation

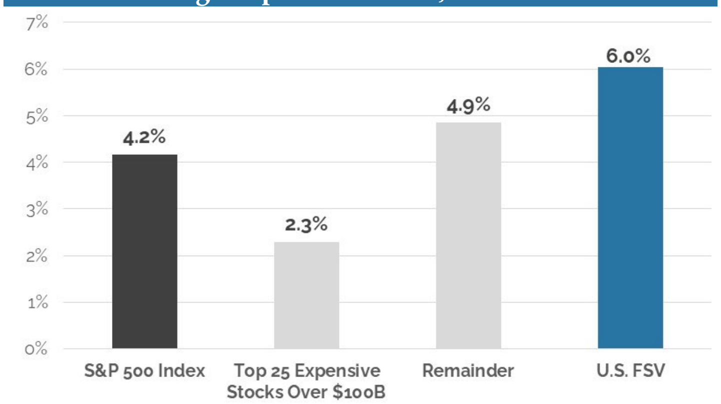
U.S. Fundamental Stability & Value (U.S. FSV)

After rebalancing, the weighted average free cash flow yield to market cap for the U.S. FSV strategy is 6.0% versus a comparable 4.2% for the S&P 500, and the free cash flow to enterprise value yield is 5.3% vs. 37%.[1] Both metrics enjoy a significant valuation premium that reflects an underlying index with substantially more expensive pockets of the U.S. equity market, which we believe is a substantial risk to be avoided going forward. Some of this valuation danger is evident in **Figure 8** which contrasts the free cash to market cap yield of Distillate's U.S. FSV strategy with that of the S&P 500. The figure also shows the disproportionate impact of the most expensive 25 stocks with market values over $100 billion, which collectively have a free cash yield of just 2.3%. If those stocks are removed from the market, the free cash yield on the remainder rises to 4.9%. This highlights the valuation risk of some of the mega-cap stocks in the market today, as well as the valuation benefit that can come simply from avoiding them.

In addition to the valuation premium to the market, Distillate's U.S. FSV strategy also enjoys significantly more stable long-term fundamentals, as evidenced by the higher fundamental stability score in **Table 1**. The same table shows that the FSV strategy has a comparably low level of indebtedness to the market, though this metric excludes a number of financials where forward estimates for EBITDA are not available and so likely flatters the index metric.

Distillate's U.S. FSV strategy is avoiding several large richly valued stocks that are driving the overall S&P 500 free cash yield lower.

Figure 8: Free Cash to Mkt Cap Yield for the S&P 500, 25 Large Expensive Stocks, & Distillate's FSV



Source: FactSet, 7/15/2021
Stocks without estimates are excluded and the index re-weighted

Distillate Capital's U.S. FSV Strategy is less expensive, more fundamentally stable, and less levered than the S&P 500.

Table 1: U.S. FSV Portfolio Characteristics*

	U.S. FSV	S&P 500
Free Cash Yield to Mkt Cap[1]	6.0%	4.2%
Free Cash Yield to EV[1]	5.3%	3.7%
P/E[2]	18.2	29.5
Fundamental Stability[3]	0.86	0.68
Leverage[4]	1.1	1.1

*as of 7/15/2021

Sector Changes: the largest sector change was a 3% reduction in financials, which outperformed in the quarter and a 4.5% increase in healthcare, which lagged. Sector weights reflect the opportunity set at a stock level and are not driven by any top-down decisions. That opportunity set presently favors the industrials and health care sectors where valuations look attractive, and leans away from financials and communications (**See Table 2**). The table also highlights the impact of several key stocks (Amazon, Tesla, Apple and Microsoft) in certain sectors that can distort headline sector comparisons with the benchmark.

Sector weights are driven by bottom-up stock selection which currently favors the Industrials and health care sectors versus the S&P 500 Index.

Table 2: U.S. FSV Portfolio Characteristics*

	U.S. FSV	S&P 500
Communication Services	4.8%	11.2%
Consumer Staples	8.3%	5.9%
Consumer Discretionary	11.0%	12.3%
Ex Amazon & Tesla	*11.0%*	*6.7%*
Energy	0.7%	2.6%
Financials	5.1%	11.1%
Health Care	23.2%	13.0%
Industrials	20.2%	8.5%
Information Technology	22.1%	27.8%
Ex Apple & Microsoft	*22.1%*	*15.7%*
Materials	3.8%	2.6%
Real Estate	0.8%	2.6%
Utilities	0.0%	2.5%

*as of 7/15/2021

[1] Free Cash Yield to Market Cap and Enterprise Value (EV) are based on the next-twelve-month free cash flow estimates relative to market capitalization and EV, which adds Distillate's proprietary measure of indebtedness. Stocks without estimates in the are excluded and the remaining names are reweighted based on those exclusions.
[2] P/E is based on consensus estimates for next-twelve-months and excludes P/Es over 250 and under 0 to avoid the distortion from outliers.
[3] Fundamental stability is Distillate Capital's proprietary measure of through-cycle cash flow stability with a higher value indicating greater stability.
[4] Leverage is based on Distillate Capital's proprietary measure of indebtedness which looks at the ratio of adjusted net debt to an adjusted measure of forecast Earnings Before Interest, Taxation, Depreciation, and Amortization (EBITDA.)

Sells: The largest exited positions were Apple, which modestly outperformed in the quarter while its normalize free cash estimate was flat, and Alphabet which significantly outperformed and is ahead of the broader market by about 25% this year.

Trims: Facebook was the only significant trim at around 20 basis points after outpacing the market by around 10% last quarter.

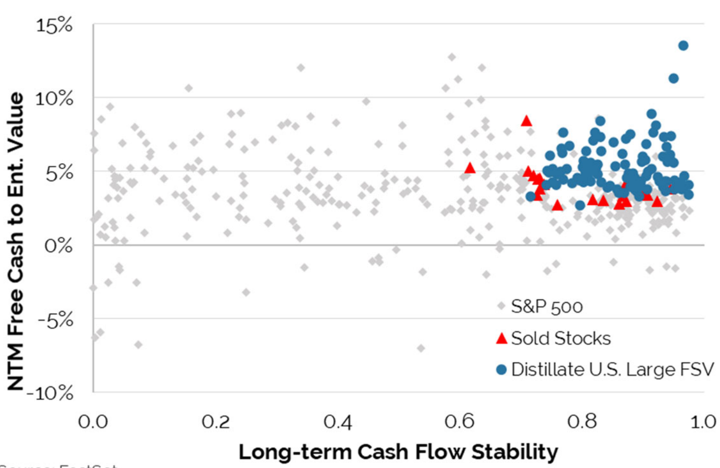
Additions: The largest additions in the rebalance, Johnson & Johnson and Home Depot, were around 50 and 40 basis points incrementally. J&J underperformed in the quarter while its normalized free cash flows held steady and so its position size was topped off to match the stable cash flows. Home Depot outperformed modestly but still lagged its rising normalized cash flow estimate and so was also added to.

Buys: The largest buys were Anthem (ANTM), Automatic Data Processing (ADP), Norfolk Southern (NSC), Vertex Pharma (VRTX), and Microchip Technology (MCHP). ANTM and ADP would have made it into the portfolio last quarter but just missed the threshold for cash flow stability, which they passed this quarter. NSC, VRTX, and MCHP all underperformed in the quarter and became increasingly attractively valued, especially in the case of MCHP where the shares lagged the market by 10%, even though normalized estimated free cash flows rose by 15%.

Summary of Holdings vs. the Benchmark: One way to visualize the current portfolio versus the benchmark, as well as the recent changes, is to look at scatter plot of all of Distillate's FSV holdings versus those in the benchmark with valuation on the vertical axis and free cash flow stability on the horizontal axis (**See Figure 9**). The index stocks in grey are scattered across both axes, while FSV's stocks (blue circles) are clustered to the upper right where attractive valuations and high levels of fundamental stability converge. Sold positions (red triangles) generally shifted to the left or fell below this cluster and buys are included among the owned stocks.

Distillate's holdings are clustered where attractive valuations and high levels of stability converge while benchmark stocks are more scattered.

Figure 9: Valuation vs. Stability for all Stocks in the S&P 500 vs. Distillate's Large Cap FSV Strategy



Source: FactSet

International Fundamental Stability & Value (Intl. FSV)

After being more expensive than the S&P 500 Index for much of the past decade on a free cash flow yield basis, and after lagging it substantially in performance, the international All Country World Index Ex-U.S. (ACWI Ex-US) now offers a higher free cash flow yield than its U.S. counterpart, both relative to market cap and EV. Somewhat offsetting this is the level of underlying risk. ACWI Ex-US constituent companies in aggregate have less stable cash flows than those in the S&P 500. Historic growth in free cash flow has also been more modest internationally. However, like with the U.S. strategy, the subset of companies held in Distillate's International FSV strategy offer a higher free cash flow yield both to market cap and EV and have substantially more stable fundamentals and are less levered than the index (**See Table 3**). The international FSV strategy is thus significantly differentiated from its benchmark not just on valuation, but critically on quality, as well.

Like its domestic counterpart, Distillate Capital's International FSV Strategy is less expensive, more fundamentally stable, and less levered than the benchmark All Country World Ex U.S. (ACWI-EX US) Index.

Table 3: International FSV Portfolio Characteristics*

	Intl. FSV	ACWI Ex-US
Free Cash Yield to Mkt Cap[1]	7.0%	4.9%
Free Cash Yield to EV[1]	6.5%	3.9%
P/E[2]	16.7	22.5
Fundamental Stability[3]	0.81	0.51
Leverage[4]	0.26	1.48

*as of 7/15/2021, see footnotes on previous page.

Changes & Regional Weights: The largest sale in the quarter was Novo Nordisk, which outperformed significantly. The largest buy was the Japanese telecom NTT. The largest trims were Roche, Alibaba, and Samsung which are capped at the upper bound 3% position limits. Weightings regionally are limited to 150% of the benchmark weight and the largest relative overweight is China at 4.5% due to very attractive valuations among many of the less leveraged non-state-owned enterprise companies. A similar ~4% overweight in Japan likewise results from attractive valuations there. Europe remains a modest underweight at -5.4% due to valuation (**See Table 4**).

Regional weights reflect bottom-up stock selection but are limited to 150% of the benchmark to limit geographic concentration risk.

Table 4: International FSV Portfolio Region Weights*

	Intl. FSV	ACWI Ex-US
Europe	36.1%	41.5%
Japan	18.7%	14.5%
China (incl. Hong Kong)	17.8%	13.2%
Asia Ex China & Japan	16.3%	18.3%
Americas	11.1%	9.5%
Middle East & Africa	0.0%	3.0%

*as of 7/15/2021 and based on headquarter location using FactSet data.

U.S. Small Quality & Value (U.S. SQV)

Small cap stocks have rebounded solidly with enormous price gains propelling indexes to levels well above records prior to the pandemic. Resultingly, valuation risk now looks significantly greater, particularly in the headline Russell 2000 index. Leverage is also very elevated among small cap stocks and is another key risk to consider. Distillate's small cap strategy looks to avoid both of these risks and after rebalancing is both significantly more attractively valued than the Russell 2000 and 2000 Value indexes and comes with significantly less leverage than either (**See Table 4**).

Distillate's U.S. Small Cap Quality & Value strategy is more attractively valued and less indebted than its Russell 2000 and Russell 2000 Value benchmarks.

Table 4: Small Cap QV Characteristics*

	SQV	Russell 2000	Russell 2000 Value
Free Cash Yield to Mkt Cap[1]	7.6%	4.3%	6.1%
Free Cash Yield to EV[1]	6.7%	3.0%	4.1%
P/E[2]	16.3	28.4	22.3
Leverage[4]	0.41	2.39	2.93

*as of 7/15/2021, see footnotes on page 6.

Distillate Capital Partners LLC *("Distillate"), is a registered investment adviser with United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. The firm's list of composite descriptions is available upon request.*

Distillate claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Distillate has been independently verified for the periods June 1, 2017 through November 30, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

To receive a GIPS compliance presentation and/or our firm's list of composite descriptions please email your request to ***info@distillatecapital.com****.*

The U.S. Dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. For non-fee-paying accounts, net of fee performance was calculated using a model management fee of 0.39%, which is the highest investment management fee that may be charged for this composite. For accounts calculated with a per share, net-of fee NAV, gross performance was calculated by adding back the unitary fee associated with that fund. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite is 0.39%; however, actual investment advisory fees incurred by clients may vary.

The U.S. Fundamental Stability & Value composite seeks to distill a starting universe of large cap U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in May 2017.

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Free Cash Flow *refers to a company's operating cash flow, less its capital expenditures.*

Enterprise Value *refers to a company's market capitalization plus its net debt balance.*

Free Cash Flow to Enterprise Value Yield *refers to a company's or group of companies' free cash flow divided by the company's (or companies') Enterprise Value, with a higher resulting ratio indicating a more attractive valuation.*

Normalized Free Cash Yield (or Distilled Cash Yield) *refers to the firm's proprietary valuation measure that looks at estimated, adjusted free cash flow relative to a company's adjusted enterprise value. References to historical stocks that ranked well using this methodology refer only to these stocks' historical valuation and not their inclusion in any actual or hypothetical strategies/accounts managed by Distillate Capital Partners LLC.*

Long-term Fundamental Stability *is Distillate Capital's proprietary measure of through-cycle cash flow stability with a higher value indicating greater stability.*

The ***S&P 500 Index*** *is an index of roughly the largest 500 U.S. listed stocks maintained by Standard & Poor's. The* ***iShares Russell 1000 Value ETF*** *is an investable benchmark used as a proxy for its underlying index, the* ***Russell 1000 Value Index****, an index of U.S. listed stocks that possess attractive valuation as measured FTSE Russell. The* ***iShares MSCI ACWI Ex-US ETF*** *is an investable benchmark used as a proxy for its underlying index, the* ***MSCI ACWI ex USA Index****, an index managed by MSCI representing large and mid cap stocks outside of the U.S. The* ***iShares Russell 2000 ETF and iShares Russell 2000 Value ETF*** *are investable benchmarks used as a proxies for the underlying indexes of the* ***Russell 2000 Index*** *(an index of U.S. listed small cap stocks) and the* ***Russell 2000 Value Index*** *(an index of U.S. listed small cap stocks that possess attractive valuation as measured FTSE Russell).*

Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses, such as management fees and transaction costs, which would reduce returns.

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Published July 16, 2021