



SOUTHERNSUN ASSET MANAGEMENT
THIRD QUARTER 2009 CONFERENCE CALL

October 14, 2009, 10:00 AM ET

Chairperson: Michael Cook (CEO, CIO)

Operator: Ladies and gentlemen, thank you for standing by and welcome to the SouthernSun Asset Management Third Quarter 2009 Conference Call on today, the 14th of October, 2009. Throughout today's recorded presentation, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulty hearing the presentation, please press the star followed by the zero on your telephone for operator assistance.

I will now hand the conference over to our host, Michael Cook, CEO and Chief Investment Officer of SouthernSun Asset Management. Please go ahead, sir.

Michael Cook: Thank you, Danny, and good morning to everyone and welcome to the SouthernSun Third Quarter 2009 conference call and portfolio update. We appreciate your attendance and hope that this is helpful.

To give you an idea of the agenda this morning, I will begin by presenting an update on our business as well as some details with respect to the launch of the Institutional Share Class of the SouthernSun Small Cap Fund. I will be followed by Michael Cross, one of our managing directors and an analyst on the investment team, as he discusses our investment team activities over the course of the quarter along with some insight that we've gleaned from our meetings with company management. Followed by Mike's presentation, we'll have Rebecca Smith, who is our Director of Client Relations and Business Development, provide a brief performance update for the quarter as well as some brief notes on portfolio attribution. Rebecca will be followed by Phillip Cook, who is our Director of Research, and he will discuss in brief some of our top contributors and detractors as well as describe to you a new portfolio position.

By way of introduction, we ended the quarter with just under \$1.3 billion in total assets under management at the firm. Also, by way of update, we are above that \$1.3 billion as we speak today. We have enjoyed net inflows throughout the total year of 2009 and we are grateful to say that we have had no significant departures of accounts over the course of the quarter and/or over the year. Our client mix remains very stable and has not changed appreciably from the past.

From an organizational standpoint, this has been the first quarter in several quarters where we've had no changes. I am happy to report that we're delighted to continue to see our teams mature, make progress against their goals, and they are working extremely well together, especially our new additions in the Client Relations and Business Development area of our business. This is the time of the year that we, as a

firm, team by team and individual by individual, go through and review our goals and objectives for the current year and develop our plan for next year. So it's a busy but exciting time for us, particularly as we have some wonderful things going on with new additions to many of the teams over the past 12 months.

For those of you who are consultants on this call, I want to point out that you can now access all of the standard current and historical information on our firm and our Small Cap and SMID Cap strategies through the major databases. Jim Glendon has been working tirelessly on filling out these databases over the past several months, and we are pleased to say that those projects are essentially complete.

The other item that I'd like to cover this morning is to formally announce that our Institutional Share Class of the SouthernSun Small Cap Fund is live and is open to receive funds. The details of the Institutional Share are on page three, and I would point out that we have had some requests for this share class over the past year. Releasing this share class is in response to the requests we've had from those who might not meet our separate account minimums but who would like the opportunity to access our strategy with lower fees than those that are charged with the Investor class. As I've said, the details are on the sheets that were sent out in the presentation. And I might also add that over the course of the coming months, we may also be speaking to a number of our clients about the advantage or opportunity of shifting what has historically been separately managed accounts into Institutional Class.

I will now turn the call over to Michael.

Michael Cross:

Thanks, Michael. I'm going to give you an update on what the investment team has been up to over the last quarter, and it's been a very busy quarter. We've had our normal battery of conference calls with management teams after our companies released their earnings we travelled face-to-face for meetings and plant visits with 14 of our portfolio companies, and we had meetings with 13 other prospective companies, and many of those meetings were also face-to-face. In addition, we attended two important conferences—and let's start with some insight and some observations that we gleaned from these conferences.

First, Michael, Peter, and I attended the Farm Progress Show in Decatur, Illinois. And you might ask why we travel to rural Illinois—which is not an easy place to get to—for this show, and it's not widely attended by the financial community. But clearly, we have exposure to the agriculture sector through AGCO, Darling, Smithfield, Polaris, and Tractor Supply Company, and we attend shows like this in order to stay very current on trends and developments in the agriculture space and to meet with management of our companies that are also attending the show. We like to see firsthand how our companies present and talk about their products. We also get the chance to talk to some of their current and potential customers to see how they perceive the products that our companies produce.

Both AGCO and Polaris had large displays, and in the AGCO booth, we were able to discuss their technical approach to the upcoming Tier 4 emission standards. This is an area that I have a lot of interest in due to my years at Cummins, and we learned that AGCO's approach may give them a cost advantage in 2011 when these new regulations are introduced, and their approach may give their customers a fuel economy advantage and be very good from a safety standpoint.

In a very large booth that was hosted by one of the world's leading seed manufacturers, our thesis dealing with the growing global demand for food was strengthened. We learned that because of the planet's growing population and growing food demand, that we will have to produce as much grain in the next 40 years as has been produced in the last 10,000 years. And we learned that in order to produce this amount of food, productivity from farming will have to nearly double in the next 30 years, and that means that better seeds will be required through genetic research and engineering, that more arable land will have to be used for food production, that more and more efficient farm equipment will be required, better irrigation will be needed, and really, better farming methods in general. And all these factors reinforce our belief in the long-term outlook for companies in the agriculture industry that have strong brands, strong distribution, and a clear competitive advantage, like AGCO and some of our other holdings.

Michael and I also attended Oxford Analytica's Global Outlook Conference in England. As you know, most of our US-based companies have significant operations outside of the US and we strive to maintain our current perspectives on the business climate and risks around the world. We can't have feet on the ground everywhere, and Oxford Analytica helps us understand geopolitical and economic risk and opportunity country by country around the world. This conference really gives us an outstanding opportunity to meet with some of the most brilliant minds anywhere to gain insights into political, social, and detailed economic issues by region and by country in a very intimate and packed two-day agenda. Some of what we came away with was directly actionable—we actually came away with two very specific prospective companies—but clearly, the discussions with the Oxford resources and other participants gives us deep context and a perspective on risk as we make other investment decisions. At the conference, we covered everything from macroeconomic issues associated with growing national debt loads to specific agricultural policies in Brazil and Argentina, to expectations and opportunities that could arise from December's climate change meeting in Copenhagen.

And, tying back to our Farm Progress Show observations, we covered topics like food security, which is a priority for many governments around the world both from a safety standpoint—because as you know, the beef industry is still dealing with BSE issues, and there has been a linkage between H1N1 and pork consumption—but also from a food security of supply standpoint, and getting updates on how China and South Korea and Saudi Arabia are buying up large tracts of land in Africa or developing long-term contracts for supply. We also learned what to look for coming out of the December Copenhagen climate change meetings, and we're exploring investment ideas which could result from responses to the competing priorities of economic growth, energy demand, and climate change.

And while these conferences and others like them are invaluable, our real insights and our most relevant information come directly from our companies, and here are some of the themes that we heard from our companies in the third quarter.

From a top line or demand perspective, some of our companies saw a positive benefit from "Cash For Clunkers." We don't think that the positive benefit is going to last, and actually, today's weak retail sales number supports that view. Demand for most of our companies in the US and Europe is still down unless the government is buying or supporting the buying, though demand doesn't seem to be continuing down at the

same pace. Some of our companies are seeing quarter-over-quarter demand growth. They don't have much visibility into the future and it's clear that projects that require borrowed money justified by future cash flows aren't happening unless the projects are related to food, energy, or national security—and there are some of these happening, and there is some actual infrastructure spending going on, and we're seeing that in awards to some of our companies, like URS and CB&I.

From a cost and margin standpoint, many of our companies, even the ones that are very healthy, are taking this time to improve processes and implement lean initiatives. They're almost all reducing fixed costs—in manufacturing, but particularly, in SG&A. Some of our companies are really in a sweet spot right now because they raised prices last year as commodity prices went up, and this year, as commodity and raw material costs have come down, some are reporting even record gross margins. Because of these cost reductions on the fixed side, operating margins on the other side of this, as demand improves, should be better. We also see a number of our companies and a number of our companies' customers looking up into their supply chain to assess supplier strengths, and those that are weak will be replaced. One of the things that we debate amongst the investment team is while it's very positive from an operating margin standpoint that our companies have cut back on fixed expenses, time will tell if they had cut too deeply; and when demand does come back, whether they'll be able to keep up with demand. We feel pretty good about this with our portfolio companies but it's something we keep an eye on and something that will really be a good test of our management team's judgment.

From a cash flow and liquidity standpoint, most of our companies are still hanging on to cash, working capital management is still a focus, and it was a positive sign that during the quarter several have renegotiated debt and/or retired debt that matures in the near-term timeframe. We're seeing signs now that some of these companies are positioning themselves to really go on offense and recognizing that they're better positioned than smaller and weaker competitors.

From an investment standpoint, we think it's a positive sign that our companies are continuing to make investments in R&D and marketing, and they're looking for opportunistic acquisitions of companies or even specific properties. And most of our companies continue to generate positive discretionary cash flow, so even in these relatively tough times, they're still trying to figure out what are they going to do with their cash. And as I said, some are beginning to look at possible acquisitions.

We like what we see around our companies positioning themselves for the future. Many are growing share in the downturn, they're reducing costs in order to improve current and future operating leverage, they're conserving cash, getting their debt in order, and making the necessary investments for the future.

So, in summary, I hope this gives you a feel for the climate in which our companies are operating and gives you some confidence that we're staying close to global events and the associated geopolitical and economic risk as we assess how those changes will impact our companies. And that we're spending quality time with the companies' management teams and remaining true to our bottom-up, detail-oriented investment philosophy and process.

I'll now turn it over to Rebecca to review the performance of the Small Cap Portfolio in the third quarter.

Rebecca Smith: Thanks, Mike. So, if you turn to slide five, you'll see our third quarter performance. The Small Cap Portfolio continued to perform well in the third quarter, although we did modestly underperform on a relative basis. The gross return on the strategy was 17.5%, which trailed the Russell 2000 Index by 1.8%, and the Russell 2000 Value Index by 5.2%. The Russell 2000 Value had an especially strong third quarter after lagging the Russell 2000 in the first and second quarters, as financials finally began to recover in the third quarter. And, of course, they're a much larger position in the Value Index versus the Core Index.

On a year-to-date basis, through the end of third quarter, the gross return on the small cap strategy was 21.1%, which is 1.3% below the Russell 2000 but 4.8% above the Russell 2000 Value, again, mostly due to the fact that financials lagged in the first two quarters but came back a lot in the third quarter. The strategy continues to outperform both benchmarks on a longer-term basis—over a three-year, five-year, 10-year, and since inception basis—as of the end of this quarter.

Turning over to slide six, we've provided some additional detail on our portfolio attribution. Again, the small cap strategy returned 17.5% in the third quarter, lagging the 19.3% return of the Russell 2000, which is circled in black on the attribution table to the right. And if you look at the number circled in blue at the bottom right-hand side of the table, you can see that across the whole portfolio, we were hurt by our sector exposures and our cash position. Cash actually subtracted over 250 basis points from our relative performance, accounting for the majority of our underperformance for the third quarter. However, as some of you may have noticed, toward the end of the third quarter, we began spending down our cash through establishing a new station in Middleby which Phillip will talk about in more detail in a few minutes. We're also really close to establishing a couple of other new positions within our portfolio.

Going back to attribution for the quarter, our sector positioning was definitely a headwind for this quarter. We were hurt by our lack of exposure to energy, which was one of the top performing sectors for the quarter, as well as our large underweight to technology, and our overweights to industrial and consumer staples also hurt the portfolio on a relative basis.

We do think it's important to note that our stock selection helped offset some of our relative underperformance; mainly, stock selection within our largest sector allocation, which is industrials, was a big positive for the portfolio this quarter, as it actually has been all year for us. Industrials continue to be a place where we pick up a lot of positive alpha, through names like Chicago Bridge & Iron and Nordson, which Phillip is going to go into more detail about that shortly.

And with that, I'll pass it over to Phillip, who is our Director of Research, to discuss our top contributors and top detractors in more detail, as well as give some color on our new position, Middleby.

Phillip Cook: Thanks, Rebecca. Slide seven shows a listing of our top five contributors and top five detractors for the third quarter. On the call I'm just going to highlight a few of these, but as usual, we will make available after the call full details of each of these names in a written document.

Looking at slide eight, I'd like to touch on two of our top contributors, CB&I and Nordson. As you may recall, CB&I is an engineering and construction firm focused on energy infrastructure. After appearing in the top five last quarter, CB&I continued its run during the third quarter as the company announced some material new awards. During July, CB&I booked a \$530 million award from Abu Dhabi Gas Industries to engineer and construct hydrocarbon storage facilities. And, following that, in September, CB&I received a \$550 million new award from Chevron Australia to engineer and construct storage facilities at the Gorgon LNG liquefaction terminal. These large awards represent the international scope of CB&I's operations and the magnitude of opportunity remaining in energy infrastructure. Despite the difficult environment we have seen over the past year, the company has generated over \$100 million of EBITDA for each of the last three quarters. In August, management announced an agreement to issue up to 10 million shares over the next two years. This offering is intended to create financial flexibility should an opportunity arise to purchase unique assets. Peter and Eliot met with management at their Texas headquarters during September and communicated our high expectations for any dilutive transaction as CB&I shares continue to sell at a discount to our appraised value.

Now, moving on to Nordson; Nordson is a leading producer of precision dispensing equipment that applies adhesives, sealants, and coatings to a broad range of consumer and industrial products. They also manufacture equipment used in the electronics industry. Nordson's management team continues to deliver strong results and meet their commitments. Although sales were down 29% for their third fiscal quarter compared to the same period last year, sales, operating margin, and EPS all improved sequentially and management signaled that "perhaps the worst is behind us." Their operating margin was 19% in the third fiscal quarter, and their gross margin was 59%, which was the highest in the past 12 years for the company. The strength was due to a high concentration of spare parts, or aftermarket parts, and consumables; a greater mix of higher-margin products as compared to previous quarters; and a reduction in manufacturing overhead costs. In addition, selling and administrative costs were down 24% from the prior year and management remains committed to their target of an \$80 million year-over-year reduction. Nordson generated more than twice the free cash flow that they generated in the same period last year. Their strong balance sheet and their ability to consistently generate meaningful discretionary cash flow, in our opinion, enables them to continue to fund investments that are important to their business's future. Our team met with the CFO at their Ohio headquarters during the past quarter and toured one of their facilities. We continue to be impressed with Nordson's commitment to lean principles in every segment and every function, from accounting to manufacturing. This commitment has allowed Nordson to double sales over the past 10 years while maintaining the same level of employees.

Now moving on to slide nine, I will discuss a couple of our top detractors for the quarter, URS and USEC. First, looking at URS; URS provides engineering and construction services, from front end to back end, for a diverse group of industries all over the world. Although revenue is down year-over-year for the second quarter, the company's cost reduction initiatives which began earlier in the year helped margins to improve. In addition, the book of business was up from \$29.1 billion to \$30.8 billion, with a growing backlog of federal projects. Although stimulus spending was expected to contribute more immediately, URS has yet to see a meaningful impact from these funds. URS generated \$321 million in operating cash flow during the

first six months of 2009, which was a record for any six-month period in the company's history. In addition, the company continues to pay down debt and strengthen their balance sheet, and their cash position has gone from \$224 million to \$448 million at the end of the second quarter. We believe that the long-term growth in global infrastructure, military outsourcing, and the power sector provide growth opportunities for the next decade and beyond for this company.

Finally, I'd like to take a look at USEC, which is a leading supplier of enriched uranium fuel for commercial nuclear power plants, and it operates the only uranium enrichment facility in the US, while supplying 50% of the US market and more than 25% of the world market. During the third quarter, the US Department of Energy announced it was delaying the final review of USEC's loan guarantee application to fund the American Centrifuge Plant. This decision has raised additional uncertainty about the ACP's construction timeline, its final cost, and maybe its ultimate viability. Since the Department of Energy's decision to delay any funding, USEC announced quality problems within the lead cascade centrifuge testing program. As a result, construction of the ACP has slowed significantly and the important lead cascade testing program has been delayed until next year. Shortly after the DOE announcement, Mike and Michael met with CEO John Welch to better understand his perspective on these important developments, and we continued to monitor the situation with multiple industry sources in the US and in Europe.

Lastly, I would like to discuss briefly a new position that we established during the third quarter, a company called Middleby Corporation, which is headquartered in Chicago, Illinois and has been around for over a hundred years. Middleby is a manufacturer and distributor of cooking, warming, and preparation equipment for both the restaurant and food processing industries. We came across Middleby while working on an existing portfolio company which most of you would be familiar with, Smithfield Foods, who buys equipment from Middleby for their packaged meat division. Middleby is a well run company with dominant brands, top tier customers, and market leadership, and they have a strong track record of profitability. We believe the current stock price is well below its intrinsic value.

I would like to quickly walk through our major investment criteria with which we perform our research in relation to Middleby—niche dominance, financial strength, and management adaptability. First, looking at niche dominance. Middleby is the market leader on the hot side of food service equipment. They're number one or number two in the US across almost all their product lines. Their customers include McDonald's, P.F. Chang's, Hilton hotels, Sara Lee, and as I mentioned earlier, Smithfield.

Second, I'd like to take a look at their financial strength. They have a diverse and stable revenue base, and over the past seven years have generated a compound annual growth rate on the top line of about 30%. In addition, something that's even more attractive to us, their discretionary cash flow has grown faster than sales for that same period. Finally, they have low working capital and capex needs which have allowed the company to reinvest their cash flows in acquisitions, which is something that they've done quite successfully over the last decade.

And that sort of leads us into their management strength. Management has extensive experience in the industry and they have demonstrated the ability to grow the top line organically and through acquisition. During the current CEO's tenure, the company

has completed 12 acquisitions, expanding their dominant market share position while broadening and streamlining their product offering. They have successfully integrated and delivered higher margins and they have not compromised on operating margins. An example of that is several years ago, the company made the decision to get out of the cold side of the kitchen—i.e., refrigerators and coolers—and focus the business on the hot side of the kitchen, which is much more profitable. At the time, this cost the company significant top line numbers but improved the profitability of the overall business and positioned them for longer-term growth and generation of cash flow.

So we're excited about our new position in Middleby, and as was mentioned earlier, we're working on several other names now, so we look forward to reporting back to you next quarter with some additional details there.

I will now hand the call back over to Michael.

Michael Cook: Thank you, Phillip. Just on a follow up note concerning Middleby. While Middleby did show up on our list of detractors, we established the position during the quarter and it's probably worth noting that they're actually up on a relative basis for the quarter. Thank you very much, Phillip.

Before we move on to questions and answers, I would like to say one or two things. One would be that I failed to mention, with respect to our institutional affairs—the SouthernSun Small Cap Fund—that the SouthernSun Small Cap Fund is essentially run like our separately managed accounts, in case anyone has a question about that.

Also, as many of you know, and some of you might be participants in our SMID Cap strategy, we thought it might be helpful this quarter to have a brief overview of portfolio performance and construction with respect to the SMID Cap strategy. And so, for that, I'm going to turn it back briefly to Rebecca Smith. Rebecca?

Rebecca Smith: Thanks, Michael. So if you turn to slide 11, we have our performance for the SMID Cap strategy as well the basic attribution. Our performance in the strategy continued to be strong throughout the third quarter as we outperformed both the Russell 2500 and the Russell Midcap. On a year-to-date basis, our SMID Cap strategy has returned 39.9% versus 27.9% for the Russell 2500 and 32.6% for the Russell Midcap. This is all shown on the chart to the right.

The attribution themes for the SMID Cap strategy are very similar to those of the Small Cap strategy. Our stock selection was generally very strong during the quarter while our sector positioning generally hurt the portfolio. Our stock selection in materials and industrials was quite strong in third quarter; also our underweighting to healthcare, which was a sector that lagged on a relative basis during the quarter, also helped performance.

And again, similar to Small Cap, our underweighted to technology and our 12% cash position detracted from performance. But all in all, our SMID Cap strategy continues to post strong returns on a relative basis, outperforming the Russell 2500 and Russell Midcap over all standard historical time periods.

And with that, I'll turn it back to Michael.

Michael Cook:

Thank you, Rebecca. I also probably should take this moment to address what may be a question as to why we have held a reasonable amount, or probably more significant than normal amount of cash for quite some time now. And the fact of the matter is, is we have really enjoyed outstanding performance since about the 9th of March, as have many others, even while holding on to that cash. And frankly, it's been—because we have—as the market has given us opportunity, we've taken advantage of that pricing and reduced our exposure as we've gone along, even though we have a commitment to those businesses, fundamentally, long term. That has indeed raised additional cash.

As we've been working on over a half a dozen—up to 10—new names that we've been qualifying, meeting with companies, as Mike pointed out, looking in their facilities and getting comfortable with management teams, and now getting comfortable with the value of those businesses and what they're worth over time, we understood that we might be queuing names in the near term and wanted to have the availability of cash and dry powder, so to speak, during that—when the opportunity arose.

At this point, I'm going to turn it over to Danny to give you instructions as to how one might ask a question. And as he then begins to poll or queue the questions, we do have one question that was e-mailed to us earlier that I would respond to during the process of polling.

So, Danny, can I turn it back to you to give those instructions, please?

Operator:

Yes, sir. Thank you. If any participant would like to ask a question, please press the star followed by the one on your telephone. If you wish to cancel this request, please press the star followed by the two. Your questions will be polled in the order they are received, and there will be a short pause whilst participants register for a question.

Michael Cook:

Thank you, Danny. The question was sent to us, that we'll initially respond to, by Bill Cammack; Bill asks, "You talk a great deal about your frequent and extended international travel which, no doubt, you feel is strategic to your management style, selection, and performance. This must take away, to some extent, time talking with domestic companies and evaluation of their competition and their product service markets. Would portfolio companies be involved that much in international markets or foreign competition to justify such travel, and might you elaborate?"

Thank you for your question, Bill, and I might make a twofold response to that. There's a direct correlation as well as indirect correlation with respect to our international travel. To be direct in answering the direct linkage is, yes, in fact, many, if not most—I think we can accurately say—most of our businesses have some significant footprint outside of the United States. So with a broad facilities portfolio, as you are aware, part of, we think, the information advantage that we obtain over time is by being the on-the-ground in plants and facilities. It might be surprising to note that we have companies with facilities in China—in Xiamen, Hebi, and Wushi; in India—in Mumbai and Delhi and other places; in Jakarta, in Indonesia; in Singapore; in Kuala Lumpur, in Malaysia; Johannesburg in Africa; Sao Paulo and all the region—in around Sao Paulo, we have facilities; as well as in Argentina. So to be specific, we have large numbers of facilities outside the US, and we feel that it's quite important for us to make sure that we have some understanding

as to what's going on and who the local competition is as well—because in many cases, it's an indigenous competition—as well as who their suppliers, vendors might be and the security of that supply chain.

There also is an indirect issue that we believe is extremely important with respect to our travel. For instance, why would we travel to South Africa to meet with coal executives from Western Europe and Asia? Well, the answer to that would be—is we do have an understanding that at this point in time, global coal movements are significant with respect to pricing in the United States. And you're not going to get that information by just visiting a facility here in the US and/or talking to the local miners. That is done by getting outside of the United States. When one understands the significance of Richards Bay in Africa and the delivery of coal up into India; the demand, supply, and balance that is there as well as the amount of coal that China is importing at this point from not only, to some degree, Africa but also Australia. We've recognized from these discussions that there are actually up to 11 ships right now in Virginia, at port, that are destined for China, which is one of the first times we've heard of this sort of instance which, obviously, is more likely to be northeastern coal—which means that there will be a shifting of coal shipments to power plants in the United States. So, to some degree, going outside of the US, as we are looking at facilities directly, also gives us an indirect ability to assess the marketplaces that eventually will impact pricing and cost at the end of the day for our specific US manufacturers.

Now, you asked the question with respect to our taking away time and ability to evaluate the US part of our businesses. Let me just take a minute to describe briefly—and we can do this offline with more detail, if you'd like—but just describe briefly how we've set up our investment team. As you probably know, every member of our investment team knows every business in our portfolio. We are classically generalists in that respect. So, as has been mentioned earlier in the call, Phillip and I, for instance, yesterday were in Smithfield, Virginia traipsing through a hog packing facility; meeting also, at the same time, that afternoon with the CEO, the CFO, and director of pork on the management team to talk about not only US issues but, once again, substantial demand issues in China—what government relations are like in China. Our ability to spend time in China has given us independent and objective ways of asking the management team at Smithfield, I think, the poignant questions that can't be asked if you're just taking them at their word. So we spend ample time—every member of the investment team—on the ground with our US businesses and, as Mike mentioned earlier, with prospective businesses.

But we also are divided up so that we strategically allocate our intellectual resources via region-specific comprehension. And what I mean by that is we've taken a different tact, and that is, not to be industry experts but to be regional experts. So that what we can do is we can bring a specific geopolitical, if you will, way of doing business in a region to the mix as we discuss and describe our US companies. So I think that it's additive—I don't think it depletes those resources. Now, you do make a very good point in that we have to be strategic about that. You'll maybe recall, one of the reasons that we named Phillip Director of Research was to specifically make sure that we are constantly evaluating how we're using our intellectual resources. That is part of the responsibility of the Director of Research—to make sure that we're allocating our travel time in the most productive manner that we possibly can. I hope that answers that question.

Are there any questions on the call, Danny'?

Operator: Once again, if any participant would like to ask a question, please press the star followed by the one on your telephone.

And as a final reminder, if any participant would like to ask a question, please press the star followed by the one.

Michael Cook: I guess that'll be it. Thank you—.

Operator: We do have a question—I'm very sorry, sir. The question is from Rich Wyatt from Plains Capital. Please go ahead with your question.

Rich Wyatt: Thanks for taking the question. You guys have—are sitting on some cash which, you know, candidly, we've seen that through our portfolios, too. But what are your feelings as far as near term spending that down? I know you've got some names queued up but, you know, as we're approaching DOW 10,000 here, are you, kind of, trepidation going into that or are you ready to start spending money?

Michael Cook: The answer is we always have trepidation. That's a great question, and it's clearly something that I think we would be very disingenuous if we insinuated that we have no idea that the averages are not reaching some fairly stellar levels for the year-to-date. The answer to the question, really, is the same answer I would've given back in March or I would've given in November of 2007, and that is, the way we look at cash is really vis-à-vis opportunity. We look at it no differently than we would look at a security position in our portfolio. So if we have a better opportunity for either cash or another name in our portfolio, we're willing to use that to move towards that opportunity because, in large part, our motivation is to generate the most consistent strong long-term returns that we possibly can.

As we get—you know, we have such a great year as we have this year from a performance standpoint, particularly since March, as we're all aware—I think you do feel—and that's what it is—is you have a feeling that things may have gone too far, too fast. And I don't think that that's a feeling that should necessarily be ignored, but I think it should be taken in as part of the whole context. The issue for us is what are businesses worth, and if we can find businesses that we think can double in price from where we find an interesting entry point—and also just by way of note, just because we qualify a business doesn't necessarily mean that it's going in a portfolio from a price standpoint, because once it's qualified, we do put a price target where we would be comfortable buying the business based on what we think it's worth in time. So, Middleby obviously meets that. There have been several others that also meet those criteria, and we've begun to buy some shares which we'll speak to next quarter. But as we're allocating that cash, it's with the idea in mind that we really don't know what the marketplace is going to do. You know, frankly, what the marketplace did to the price of some of these businesses from January through the first part of March this year was really unnecessary in a lot of ways, but it's the way the market behaves. So you take that a bit of hat in hand and try to keep your focus on what the business is worth, and we'll continue to do that.

So, to answer your question, yes, I think we're always trepidatious. But I think we tend—that tends to be part of our circumspect nature and not necessarily something that would be specific to this run-up. I mean, we think back to other run-ups—we've

been through these sorts of runs before—and it doesn't necessarily predict a precipitous fall. So we try to keep as much as possible our focus on the businesses themselves. And you do rightly say that when, as Mr. Buffet likes to say, Mr. Market gives us an opportunity we don't want to be overly exposed to any one position in the portfolio.

So if it were me evaluating us at this point and the portfolio that I have in front of me, what I would do is ... I would say to myself, well, we know that they can be fairly aggressive, though I don't see any 6.5% positions in here, and every time they seem to bump up to a 6.5-6.25 or 6% position, I'm kind of seeing them trim that down. Well, that obviously is going to add to our cash a bit, but more importantly, I would just encourage you to look at that as a statement that we're making internally, as we discussed, that we don't want—because things have moved up fairly significantly, we don't want to be overly exposed to any one particular business that might have a linked effect to a precipitous market pullback. Because frankly, you know us from the past, that if we've trimmed down, there's nothing that says if the market brings it back 15, 20, 25% in the next four months, we're liable to build the position back up. So that, historically, has been how we've tried to view those and behave. I hope that helps.

Rich Wyatt: It does. Thanks.

Operator: We do not have any further questions at this time, sir. Please continue with any points you wish to raise.

Michael Cook: Once again, thank you, all, for participating. We hope that this time is helpful. We'll look forward to your comments to help us to continue to improve this process and make it as productive as possible.

We wish you all a wonderful holiday season as that approaches—hard to believe. We, as an investment team, will be out of the office, in plants and facilities, in a large part over the course of this last quarter as corporations are beginning to look at budgets for 2010. This is typically a very busy travel time for us. But always feel free to ask us any questions that you may have, and you can direct those to Rebecca Smith or anyone on the investment team. Thank you and have a great afternoon.

Operator: Thank you, sir. Ladies and gentlemen, this concludes the SouthernSun Asset Management Third Quarter 2009 conference call. Thank you for your participation and you may now disconnect.

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