January 30, 2017

Dear Investor:

Please find the SITE case study from the 4Q 2016 Investor Letter on the following pages.

As always, we are happy to discuss any portfolio holdings or our investment outlook with you at any time. Please simply contact us at your convenience. In closing, we are honored and privileged to have the responsibility you have entrusted in us in managing your capital, and we look forward to continuing our relationship further into the future.

Best regards,

Mitchell Scott, CFA
Portfolio Manager

SITE Case Study

POOL and WSO are companies worthy of study and for good reason. They have dramatically outperformed the market indices over most every time period of significance since they came public. Both rank in the top 12% of all companies in the Russell 3000 in terms of total shareholder return over the last 15 years, with each more than doubling the indices' returns on an annual basis. And this really adds up over time. Since the beginning of 2002, $1 invested into the S&P 500, Russell 2000, POOL and WSO would have grown to $1.97, $2.82, $11.18 and $17.28, respectively, by the end of 2016.

Company	15Y TSR	$1 in 2002 Today
S&P 500	5%	$1.97
Russell 2000	7%	$2.82
Pool Corp.	17%	$11.18
Watsco, Inc.	21%	$17.28

When SITE came public this past spring and we began to examine the company, we were struck by the similarities it shared with these other two great businesses. Accordingly, to gain a glimpse into what the future may hold for SITE, we thought it would be a good exercise to take a deep dive into each company in their early days and identify what characteristics were then present that set the stage for their prolonged success. The below table highlights a few relevant financial statistics that point to a few commonalities.

Company	2001 Sales	Beginning Share	CY2016E Sales	LTM Share
Watsco, Inc.	$1.2B	<10%	$4.3B	~15%
Pool Corp.	$.9B	<10%	$2.6B	~40%
SiteOne Landscape Supplies	n/a	~9%	$1.6B	~10%

Each company has an interesting story of how it came to focus its efforts exclusively on consolidating their respective distribution markets. Watsco was actually a manufacturer of HVAC/R equipment until 1989 when still-current CEO Al Nahmad eschewed the manufacturing business to focus the company's attention solely on distribution operations. His CFO at the time liked the move to distribution so much that he left and bought a small distributor of pool supplies. In 1995 he took that company public and used the equity capital to apply the same rollup playbook to the pool industry where he ultimately grew that business into the industry behemoth we know today as Pool Corp. SITE's move to a standalone distribution company seems to have occurred in reverse. Their distribution operations were largely an afterthought inside of parent company John Deere where management was focused on manufacturing products suited to larger markets that spanned the globe. Recognizing a valuable asset, PE sponsors purchased the distribution arm of the company in late 2013 and then installed an experienced management team well-schooled in the industry and rollup game.

When we look at POOL and WSO in their infancies, we identify four common attributes that created the preconditions necessary for their sustained success. The four categories are management, purchasing dynamics, distribution hourglass at infancy and capital allocation, each of which we highlight in the table below before a brief discussion.

Company	Management	Purchasing Dynamics	Distribution Hourglass at Infancy	Capital Allocation
Watsco Inc.	- Insiders owns ~20% of the company, many shares don't vest until retirement - CEO chose distribution over manufacturing operations	- Installed base of HVAC/R units has increased every year - Business is ~75 – 85% repair or replacement driven	- Originally a small player with low market share in a very fragmented market - Highly fragmented HVAC/R contractor customer base serving residential homeowners - Supplier base of HVAC/R manufacturers moderately consolidated	- M&A in early years - Favors dividends with sporadic repurchases thereafter
Pool Corp. Inc.	- Insiders own ~5% of the company - CEO learned distribution from HVAC/R distribution background	- Installed base of pools has grown every year including during the recession - ~60% of pool supply spend supports maintenance needs	- Originally a small player with low market share in a very fragmented market - Highly fragmented pool contractor customer base serving residential homeowners - Minimal supplier concentration due to broad assortment of product offering	- M&A in early years - Mix of dividends and repurchases thereafter
SiteOne Landscape Supply	- Insiders have significant equity stakes as a result of grants with long term horizon - CEO learned distribution from roofing distribution background	- Installed base of homes and commercial properties grows consistently over time - ~50%+ of landscape supply spend supports maintenance needs	- Originally a small player with low market share in a very fragmented market - Highly fragmented private landscape contractor customer base serving residential and commercial customers - Minimal supplier concentration due to broad assortment of product offering	- Expected focus on M&A to gain access to markets with no current presence

Management The principle qualities we look for in a management team include integrity, business acumen and long term focus. We also like to feel we are on equal footing with our management partners and see them behave as owners. Their possession of a meaningful equity stake in the business ensures our incentives match.

Both POOL and WSO score exceptionally well on this metric. WSO CEO Al Namhed has created a strong culture with a major emphasis on long term success by granting executives restricted shares that often do not vest until their retirement. POOL abides by a similar philosophy where the overwhelming majority of executive officer pay comes in the form of long term equity incentives. While there is less history available to evaluate, the SITE team looks to have great experience, with the CEO Doug Black coming to the company after an 18 year career at OldCastle where he began their roofing distribution operations in 1996. It also looks like the right incentives are in place with a compensation structure that has meaningful equity incentives for senior officers.

Purchasing Dynamics We are enthused when we see steadily expanding markets that offer a reliable stream of consistent demand. When the products sold bring a dynamic that makes them a necessity that often carry a sense of urgency, it is all the better.

For both POOL and WSO, the installed base of pool and HVAC/R units has grown every year as a result of our country's slow and steady population growth. And when a pool or HVAC/R unit breaks or needs repairs as they often do, the consumer often has little choice but to make the necessary repairs. They often want to act quickly too. Consider for a minute a Floridian in July with a broken AC unit. Or the constant chemical treatment a pool requires to maintain clean and sanitary operations. These dynamics often afford the seller a premium for the convenience of fulfilling the need. SITE too appears to share similar dynamics as the total number of lawns and property care sites continues to grow with the population while lawn maintenance is a need that never seems to go away.

Distribution Hourglass We have frequently used this term in analysis of the competitive set of distributors given their role as middlemen where they are flanked by buyers/customers on one side and venders/suppliers on the other side. The preferred industry shape is the classic so-called "many to many" structure, where the distributor has scale advantages over fragmented bases of smaller customers and suppliers. As a distributor grows in size, it gains clout in purchasing negotiations and often achieves favored-nation status for vendors who seek access to markets for their products. Its greater size also enables the distributor to offer more attractive pricing to their customers and creates a virtuous cycle that enables them to purchase at more favorable terms. Additionally, once a winner emerges from the playing field of competing distributors, they can be exceptionally difficult to uproot given these inherent scale advantages grow naturally over time.

All three of these advantaged companies were larger than their fellow peers when they began their rollup strategies, and all have very fragmented customer bases. WSO's supplier base is a bit more concentrated, but their manufacturing partners have proven to value the access to the channel the company has provided over time. In regards to pool services and maintenance, a broad assortment of products from a wide range of suppliers are needed to meet the diverse needs of pool servicing contractors which deters any substantial power accruing to individual suppliers. SITE shares similar dynamics given a similar broad breadth of products that property care maintenance providers need.

Capital Allocation We like to see management teams that demonstrate a proficiency in capital allocation. Operators with a knack for smart deals that know how and when to use equity have a tremendous asset at their disposal for creating shareholder value. And if there is excess cash flow available beyond the company's growth needs, investors can be rewarded by the return of cash via share repurchases or dividends.

In their early years, both WSO and POOL focused their efforts on seizing market share in their local markets with sound on-the-ground execution and aggressive expansion into new markets by buying up hundreds of smaller independent operators. As the companies have matured, both continue to generate strong free cash flow, though the opportunities for acquisitions that move the needle have become scarce. Accordingly, each has moved their capital allocation strategies to return greater levels of cash to their shareholders. WSO sustains a dividend that typically carries around a 3% yield while POOL favors shrinking their share count by around 2% a year. SITE is still a company in its early days, so it is appropriately devoting their cash to gaining market share through acquisition. As the largest player in a highly-fragmented market (it is nearly four times the size of the number two player but still only has 10% of the market), it has a long runway ahead to consolidate the independent dealer channel of this industry.

Summary In distilling our review down to its essence, we draw one important conclusion. The consolidators win. Given the similarities among the three companies in their early years on four critical success factors, we believe SITE is very well positioned for the future. While we are certainly not banking on such an outstanding result, we believe the necessary preconditions for success are present. We look forward to watching the company closely as we evaluate their progress in consolidating the landscape supply business.

1. All market and company data is sourced from Factset and company filings and is current as of 12/31/16.