TOWLE & CO.
DEEP VALUE INVESTING
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April 12, 2020

Our prayers go out to you and your families during this extraordinary time. We are profoundly grateful for the courageous caregivers working tirelessly on the frontlines to support those in need.

The near-term societal costs and economic toll of this crisis are painful, but like past periods of extreme dislocation, these temporary conditions are unleashing the human spirit. We are inspired by the world's humanitarian and financial response, including the preemptive policy action by central banks to stabilize markets. Although the long-term economic impact of the coronavirus remains uncertain, we are confident that humanity's adaptability and ingenuity will bring victory. We embrace this farsighted view and remain true to our deep value discipline, investing your capital and ours for the eventual recovery.

As the outbreak emerged in the first quarter, global capital markets experienced indiscriminate selling pressure coinciding with the fastest S&P 500 bear market in history. Nearly all asset classes, including the traditional safe havens of investment grade corporate debt and U.S. Treasuries, experienced extreme volatility. According to Bloomberg, global equity values declined 30.2% or $26.9 trillion from peak to trough, an amount equivalent to the combined annual GDP of the U.S. and Japan. The Russell 2000 Index dropped 30.6%, the largest quarterly loss in its 40-year history. Meanwhile, the Towle Deep Value Composite fell 49.2% net of fees, our worst quarter on record. Amid this destruction, however, a silver lining has emerged: many high-quality companies now meet our deep value selection standards, allowing us to significantly upgrade the portfolio.

Composite returns are highlighted below with periods greater than one year annualized.

Periods ending 03/31/20	*Towle DVC (Gross of fees)*	*Towle DVC (Net of fees)*	*Russell 2000 Value*	*S&P 500*
3 months	-49.10%	-49.21%	-35.66%	-19.60%
1 year	-44.16	-44.58	-29.64	-6.98
3 years	-21.51	-22.10	-9.51	5.10
5 years	-7.61	-8.29	-2.42	6.73
10 years	2.47	1.74	4.79	10.53
20 years	9.10	8.29	6.82	4.79
30 years	11.18	10.39	8.87	9.28
Inception (1/1/82)	13.29	12.49	10.37	11.07

Returns are preliminary and subject to change. Past performance is no guarantee of future outcome.
Please refer to the last page for additional disclosures.

Investment Environment

With much of the American economy shut down, investors face unprecedented uncertainty and unknowable outcomes. Dismal estimates of GDP growth and record unemployment indicate that the U.S. economy will post the worst contraction of our lifetimes. No one can know the depth and duration. Fortunately, thanks to diligent messaging from the scientific community, social distancing and behavior modifications are having a positive impact. Broad-based healthcare solutions including a vaccine and approved treatments will eventually arrive. For now, the $8 trillion in asset purchases, loan guarantees, and direct lending from the Federal Reserve, combined with a $2 trillion Congressional stimulus package, backstop the economy. Will it be enough? Have equity markets priced in all the moving pieces? Only time will tell.

While we remain bullish on the long-term potential of the U.S. economy, today's heightened uncertainty and declining demand outlook present a difficult investment environment. Near-term risks to economic growth are elevated and may even compound if the downturn is protracted. Companies with weak balance sheets and credit profiles are particularly vulnerable. According to Goldman Sachs, the pace of credit rating downgrades has accelerated materially over the past few weeks. The outstanding bond value of newly minted fallen angels, defined as companies with bonds downgraded from investment grade to junk status, has jumped to $148.8bn in Q1 2020, already far exceeding the Great Financial Crisis peak.

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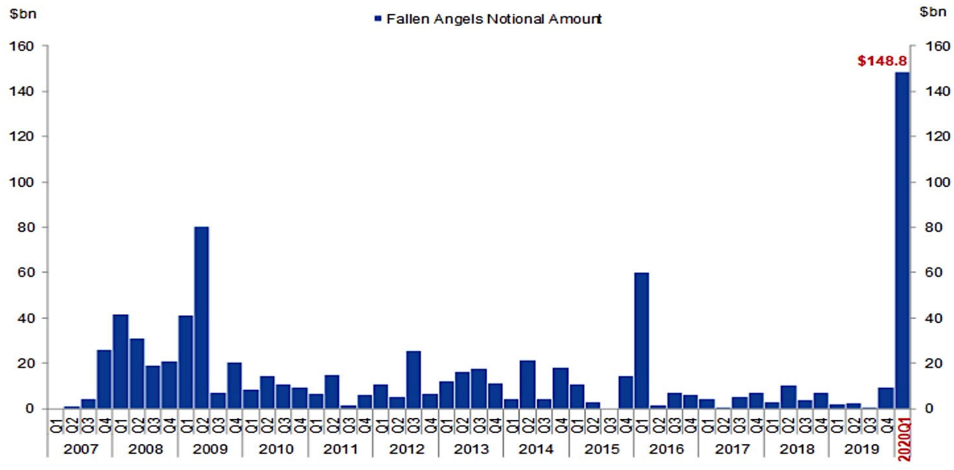
Exhibit 1: In dollar terms, 1Q 2020 has seen a record amount of fallen angel bonds
Quarterly dollar notional amounts of bonds downgraded from IG to HY (excluding EM names)



Source: Bloomberg, Goldman Sachs Global Investment Research

With total corporate debt to GDP at all-time highs and record downgrades underway, the Towle investment team has prioritized balance sheet reviews with the goal of minimizing the potential for permanent loss of capital. Existing positions have been rigorously scrutinized, new ideas have undergone stricter credit filtering, and we believe that the portfolio is more prepared than ever to endure the uncertain environment and to thrive in the eventual recovery.

Portfolio Review

This section has been removed for compliance reasons to exclude discussing specific securities transactions.

Looking Ahead

As investors continue to assess the pandemic's economic impact and the recovery's glidepath, markets may stay choppy for some time. Fortunately, record high correlations during the first quarter's market selloff presented an abundant opportunity set for deep value investors. Numerous high-quality cyclical companies hit our buy parameters for the first time. Without compromising our underwriting process, we moved deliberately to upgrade the portfolio. We invested in companies that not only cleared our traditional deep-value parameters but also came with what we feel are strong balance sheets, world-class management teams, and leading franchises. We enlarged and diversified the portfolio's composition while widening the mix of risk factors. We reduced our exposure to highly leveraged balance sheets and redeployed proceeds into companies that we believe have the financial strength to survive a potentially protracted recession. As long as appropriate opportunities emerge, this upgrade process will continue.

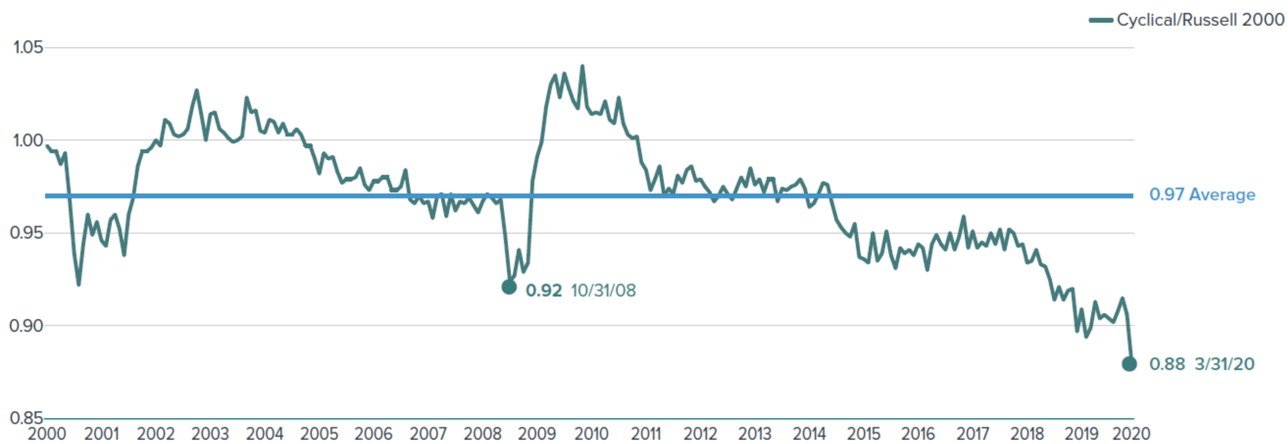
In our view, the pandemic has forced management teams to react urgently and drastically, enabling deeper cost cuts behind the shield of the virus instead of dribbling out multi-year cost savings plans. Companies have also been forced to find new ways to operate: using more technology and automation, outsourcing non-core activities, and reexamining supply chains. As a result, costs may be more variable than expected in the short-run. Over the medium-term, profit margins may be higher. Those companies that survive should be noticeably more profitable and more valuable when demand returns. The Towle portfolio is increasingly comprised of these companies.

Furthermore, as highlighted in previous quarterly letters, the valuation dispersion between cyclical stocks and defensives remains extreme. The following chart from Royce Capital Partners captures it well.

Small-Cap Cyclicals Are at Their Relatively Cheapest in More Than 20 Years

Following the small-cap troughs in 2002 and 2009, small-cap cyclicals substantially outperformed defensives.

Russell 2000 Relative Median EV/EBIT (Ex Negative EBIT)
From 3/31/00 to 3/31/20



EV/EBIT: Enterprise Value/Earnings Before Interest and Taxes

Cyclical is defined as follows: Communication Services, Consumer Discretionary, Energy, Financials, Industrials, Information Technology, and Materials. Defensive: Consumer Staples, Health Care, Real Estate, Utilities.

Based on our three-year sell targets, the Towle portfolio's upside potential rivals that of the Great Financial Crisis. The Towle family and employees have watched the quoted value of their investment portfolios drop significantly over the past several weeks. However, we are confident in the underlying businesses represented by these stock prices and remain fully committed to our deep value discipline.

Towle employees are working remotely in order to comply with stay-at-home orders. We are grateful this repositioning has occurred smoothly and without disruption. Our normal channels of communication are open (info@towleco.com | 314-822-0204), and we welcome your questions or comments.

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DISCLOSURES: 1) Performance results are calculated using a time-weighted total-rate-of-return method and are expressed in U.S. dollars. Results include the reinvestment of all income. Gross of fee performance is presented as supplemental information and reflects the deduction of all trading expenses, except in those accounts where ABP (Asset-Based Pricing) fees are assessed in lieu of standard trade commissions. Net of fee performance was calculated using actual management fees and ABP fees. 2) Although Towle & Co. makes no attempt to manage against the composition of a specific benchmark, the Firm provides the Russell 2000 Value Index as a readily accessible indicator of comparative small cap performance as well as the S&P 500 Index as a general indicator of the market at-large. The performance of an index is not an exact representation of any particular investment as one cannot invest directly in an index and investments made by Towle & Co. differ in comparison to the Russell 2000 Value Index in terms of security holdings and industry weightings. Towle & Co. invests in considerably fewer companies than either index with lower average multiples to book value, sales, earnings, and cash flow, and as a result, the volatility and returns of the indexes may be materially different from the individual performance attained by a Towle & Co. investor. 3) Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Unless otherwise noted, references to 'the Towle Portfolio' or 'the Portfolio' refers to a representative, fully discretionary portfolio managed in the Towle Deep Value strategy and member of the Towle Deep Value Composite. 4) Opinions expressed are those of Towle & Co. and should not be considered a forecast of future events or a guarantee of future results. Opinions and estimates offered constitute our judgment as of the date set forth above and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. All material presented is compiled from sources believed to be reliable, but no guarantee is given as to its accuracy. 5) CFA® is a designation issued by the CFA Institute. To earn the designation, candidates must pass three course exams, each requiring approximately 250 hours of self-study, and have completed four years of qualifying work experience.