REPRINTED FROM APRIL 10, 2017

THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

Seeking Solid Businesses Facing Strategic Challenges

ERIC R. HEYMAN is Executive Vice President, Portfolio Manager and Director of Research of Olstein Capital Management, L.P., and Co-Portfolio Manager of the Olstein Strategic Opportunities Fund and Olstein All Cap Value Fund. Previously, he was an accountant with Norstar Energy, a subsidiary of Orange and Rockland Utility. He received a degree in accounting from Pace University.

SECTOR — GENERAL INVESTING

TWST: Could you tell me a little bit about the firm?

Mr. Heyman: We are value investors looking for solid businesses that have been unfairly punished by short-term factors, whether that's an earnings miss, poor management decisions, regulatory changes or overall negative market sentiment. We consistently find that many small to midsize companies face strategic challenges, often as a result of unrealistic expectations for growth, or they fall below investors' radar because they are underfollowed by Wall Street analysts.

The Olstein Strategic Opportunities Fund was launched in November of 2006 to invest in the undervalued stocks of small to midsize — smid — companies that face unique strategic challenges and choices. We believe that the market's short-term reaction to such situations often creates favorable investment opportunities for us as long-term value investors. Equity markets tend to overreact and sharply penalize small to midsize companies that encounter problems or stumble in the face of unrelenting expectations for constant growth. Over its 10-year history, the fund has continued to emphasize investments in turnaround situations and smid companies facing unique strategic challenges and choices. That's been our focus over the last 10 years.

TWST: Is there any unique investment philosophy in the fund?

Mr. Heyman: Our focus on turnaround situations and companies facing strategic challenges makes our investment approach unique. When most investors think of investing in small to midsize companies, they tend to think of fast-growing companies or finding the next **Google** (NASDAQ:GOOG), **Netflix** (NASDAQ:NFLX) or **Facebook** (NASDAQ:FB). We focus on a different type of company: those small to midsize companies with strong products or services that have stumbled or hit a wall, usually due to Wall Street's demands for constant growth. Our approach to finding value in companies with temporary issues or companies that need an operational turnaround makes us very different than our peers in the smid space.

Another unique element of our investment philosophy and approach is our focus on the quality of earnings and our intensive company-specific analysis. One of the fundamental tenets of our investment philosophy is that in today's world of information overload, a forensic analysis of a company's financial statements, regulatory filings and accompanying footnotes is the best way to determine the quality of a company's earnings, the success of its strategy, the sustainability of its performance and the impact of management decisions on future free cash flow. We believe that a forensic analysis of company balance sheets, income statements and other regulatory filings is more useful when assessing a company's ability to produce future free cash flow than management forecasts, earnings guidance or company visits.

TWST: Did you want to mention a company that you find interesting?

Mr. Heyman: The first one I'd like to talk about is **ServiceMaster** (NYSE:SERV). **ServiceMaster** is a leading player in the growing do-it-for-me professional service market, which is a fragmented industry. **ServiceMaster's** customers can order, buy and receive services when, where and how they want them. Their brands include Terminix, American Home Shield, AmeriSpec, Furniture Medic, Merry Maids, ServiceMaster Clean and ServiceMaster Restore. It was taken public back in June of 2014, after being under private equity ownership of **Clayton, Dubilier & Rice**.

Their leading brand is Terminix, the pest control and termite business. American Home Shield is their home warranty business for those customers that want to protect the contents of their homes — their washers, dryers and refrigerators. They also own Merry Maids, a residential cleaning business; ServiceMaster Clean, a janitorial services business; and AmeriSpec, a home inspection business.

With Terminix, they're the number-one player in the pest control industry, and we know that's something that can affect the value of people's homes — often their most precious possession. Terminix has 22% market share of the $8 billion professional pest control industry. So over the last year or so, the company has been making investments to correct their previous stumbles where they weren't reinvesting in their infrastructure or embracing the technology that was out there to make their company more efficient. Over the last year or so, the company has been making investments in technology to improve not only the customer experience in Terminix but also the ability of the company to capture sales, streamline technical process and reduce complexity in their business model.

80% of their business is recurring revenue, so it's a very steady business with good steady free cash flow. The company has the opportunity, we believe, to make over $2.50 per share in free cash flow, and we think it's worth $50, and it's currently selling at around $40.

"We believe that a forensic analysis of company balance sheets, income statements and other regulatory filings is more useful when assessing a company's ability to produce future free cash flow than management forecasts, earnings guidance or company visits."

Highlights

Eric R. Heyman discusses Olstein Capital Management and the Olstein Strategic Opportunities Fund. Mr. Heyman looks for solid businesses that are facing strategic challenges. Specifically, within the Olstein Strategic Opportunities Fund, Mr. Heyman invests in smid-cap companies that are being penalized by overreactions in the equity markets. As a long-term value investor, Mr. Heyman believes these situations create favorable investment opportunities. Lastly, Mr. Heyman performs an intensive company-specific analysis in order to determine the quality of a company's earnings, the success of its strategy, the sustainability of its performance and its management's impact on future free cash flow.

Companies discussed: Alphabet (NASDAQ:GOOG); Netflix (NASDAQ:NFLX); Facebook (NASDAQ:FB); ServiceMaster Global Holdings (NYSE:SERV); VWR Corp. (NASDAQ:VWR); Merck & Co. (NYSE:MRK); Patterson Companies (NASDAQ:PDCO); Keysight Technologies (NYSE:KEYS); Agilent Technologies (NYSE:A); Samsung Electronics Co. Ltd. (KRX:005930); Hologic (NASDAQ:HOLX) and Lifetime Brands (NASDAQ:LCUT).

TWST: What do you think investors should know about the company that they may not realize about it?

Mr. Heyman: I think what people are missing is that the recurring cash flow stream of a business like this is worth a lot more to an investor because it affords the company the ability to do a lot of things. It gives them the ability to continue to drive consolidation within the industry and increase market share. It gives them the ability to pay down debt and buy back stock. For us, this situation is somewhat typical of our approach to the smid space. While investors are usually looking for big growth, we look for a company like **ServiceMaster**, which is a nice, steady free cash flow generator. It may not be the sexiest business, but it's a good business with recurring revenues that offers very good appreciation potential.

TWST: Did you want to mention another company?

Mr. Heyman: Another company is **VWR Corporation** (NASDAQ:VWR), a leading provider of products, services and solutions to laboratory and production facilities in the pharmaceutical, biotechnology, industrial, education, government and health care industries. **VWR** is a spinoff from **Merck** (NYSE:MRK) that private equity firm **Madison Dearborn Partners** took public in October 2014. **Madison Dearborn** still owns approximately 35% of the company and continues to reduce their holdings. Since these transactions, **VWR** has managed to increase its profitability and effectively delever the balance sheet. The company continues to focus on deleveraging through a combination of debt pay and productivity improvements.

1-Year Daily Chart of ServiceMaster Global Holdings

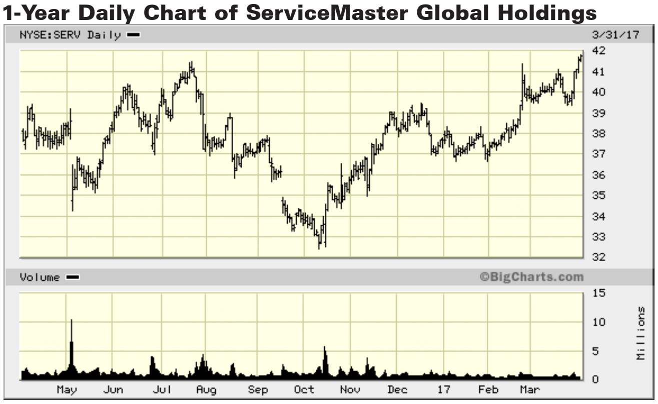

Chart provided by www.BigCharts.com

What makes **VWR** attractive to us are its value proposition, diverse product set and attractive market potential. The company's sales of consumables, chemicals and services that are recurring in nature constitute approximately 80% of total sales. While the distribution of products is at the core of **VWR's** revenues, the differentiating factor is the company's breadth and depth of supply, independence, private-label products and customized solutions that effectively outsource clients' noncore functions. The company sells over 1 million SKUs and has more than 100,000 customers across 34 countries, with the U.S. representing approximately 55% of revenues.

in free cash flow earning power. We think the stock is worth close to $40; it's currently selling around $27.

TWST: If the health care industry sees an upturn in profits, does this company stand to benefit from that?

Mr. Heyman: It could be that, but really what they're going to benefit from is any type of drug discovery. So as long as there's research going on and people are looking for the next drug or to improve existing compounds, or looking to find a cure for something or even just routine testing of blood, they will benefit. Whereas, right now, there have been questions about whether there will be cuts to the National Institutes of Health budget or other sources of research funding that have put pressure on the stock, the fact remains that, in my 22 years as an investor, spending on new drugs and better ways to treat people continues to increase. And it could be in veterinarian care; it could be in a lot of different areas. It doesn't necessarily have to be just in human health care.

1-Year Daily Chart of VWR Corp.

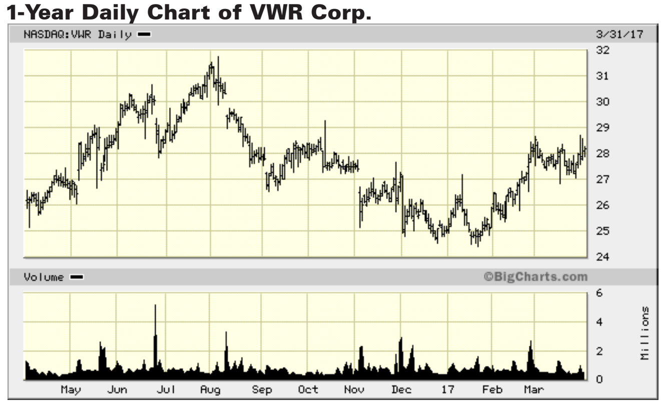

Chart provided by www.BigCharts.com

"There are a lot of things that they have to do in order to meet the regulations and requirements of being a standalone public company. And sometimes their communication and dealing with a difficult market gives people like us in the Olstein Strategic Opportunities Fund an opportunity to make an investment in a very good business at very favorable prices."

In the fragmented global market for laboratory suppliers, **VWR** currently has a 9% market share with plenty of room to grow in an industry that is currently over $51 billion in annual sales volume, growing at approximately 3% per year globally. The company's clients are highly dependent on **VWR's** products that are key components in critical processes, such as new drug development, regulatory and safety testing, and laboratory testing. In addition, some of the products the company offers are subject to complex and stringent regulations that act as a substantial barrier to entry. We believe they have over $2 a share

TWST: Did you want to mention another company?

Mr. Heyman: Another company is **Patterson Companies Inc.** (NASDAQ:PDCO). This is a leading distributor of dental and veterinarian supply products, operating in a tough environment and especially in the dental consumables market. In the dental area, they have over 100,000 SKUs. They sell everything from films to cleaners to gowns to dental tools — everything that you find in a dentist's office or practice. If you go into your dental office or your orthodontist's office, you will see a **Patterson**

product that was distributed by **Patterson**. They also sell a lot of veterinarian supplies, whether it's vaccines, drugs, consumables, vitamins, equipment, software, back office to help run facilities and so on.

The company's products in both the dental and veterinarian care businesses are very diverse, and both businesses are growing businesses. They've both grown 3% to 5% per year historically. Over the long term, the company sells into that favorable trend.

So right now, what we see negatively affecting the company's stock is termination of its exclusivity agreement with **Sirona Dental** due to the acquisition of **Sirona** by a competitor. The termination of this arrangement will cause a hit to their earnings of about $0.30 per share. We believe over the next couple of years, they'll recover from that due to growth driven by the compelling nature of their products, their distribution, their critical supplies and equipment they sell as well as necessary upgrades to currently installed equipment.

With continued rise in GDP of around 2.5% over the next couple of years, they're going to be able to not only overcome the loss of $0.30 per share in earnings but also grow and expand in the dental and veterinarian markets. We think the company has close to $3 a share in earnings power over the next couple of years and is worth somewhere around $60, and the stock is currently selling at around $45.

TWST: And my understanding is, with products that relate to pet health care, that a lot of pet owners, no matter what the economy is like, will spend money on their pets and the pets' health care?

Mr. Heyman: You're exactly right.

TWST: Did you want to mention another company?

Mr. Heyman: Sure, and this is what we do. It's really a lot of detailed work. We are patient investors. We are long-term investors, so we like to give companies time to work through temporary issues. **Keysight Technologies** (NYSE:KEYS) is another company in that vein.

This company was spun off from **Agilent Technologies** (NYSE:A) in November 2014 into what was a difficult market. But again, when a company is a private company, underneath the umbrella public company or owned by private equity, when they get spun out, there are a lot of things that they have to do in order to meet the regulations and requirements of being a standalone public company. And sometimes their communication and dealing with a difficult market gives people like us in the Olstein Strategic Opportunities Fund an opportunity to make an investment in a very good business at very favorable prices.

So **Keysight** provides electronic measurement solutions to the communication and electronics industry. They do this through measurement instruments and systems, software, software design tools, but really they are the next generation of technology. 5G is what I'm talking about. They're the number-one player in testing the communications, aero/defense, industrial, computers and semiconductors. They control somewhere around 25% market share in these areas.

The spinoff from **Agilent** has created a little confusion out there. I believe they're starting to get things under control. And while their equipment is a capital purchase to the customer, new product introductions, rapid technology changes and changing industry standards enable them to sell new products to customers allowing for solid growth potential. Their broad portfolio of solutions allows their customers to create and test next-generation products. 13% of their revenues go toward R&D to come up with new products.

"It's leaving a lot of companies on the sidelines that are not in that index or very small-weighted in that index. There are a lot of quality companies that are being overlooked and are underappreciated because they are not in the index. That creates opportunities for value investors; that's what we bring to the table."

So again, we think it's a core business in next-generation technology and testing. It's a needed technology. We constantly see technology getting better and changing over the years. Again, this is a company that we see with north of $2.50 in free cash flow on its way to $3 over the next couple of years, and we think it's worth somewhere around $55.

TWST: And you mentioned R&D spending, when investors are looking at tech companies, is that something they should look at to make sure that the company is going to be an innovator in the future, and is looking for new ideas and products?

Mr. Heyman: I think the R&D line is a very important line and is a key indicator to look at whether it's a technology company or even a health care company, especially when you are analyzing and evaluating cash flows and earnings. A lot of companies can play around with that R&D line, meaning that they can spend less and actually make their earnings appear better in the short term while harming their long-term prospects, while other companies may spend significantly on R&D without achieving a favorable return on investment. So you always want to pay attention to that R&D expense as a percentage of revenues because it does flow to the bottom line, and it could either be a place where a company could be underspending or overspending on a historical basis.

TWST: Changing gears a bit, as you talk with investors now, what are some of their concerns as they look at 2017?

Mr. Heyman: I think that one of the things I see going on is that people don't want to put the work into valuing businesses. And what I say is, it's very important to really understand the philosophy of your investment manager or fund. Does the investor understand the businesses that they own? Do they understand the accounting? Do they understand the cash flows? Have they read the 10-Ks and the 10-Qs and the proxies?

I think it's very easy to say, "Just put it in an index fund," but what's happening is, so many people are putting their money in these index funds, which I believe are passive, mindless investments, and it's leaving a lot of companies on the sidelines that are not in that index or very small-weighted in that index. There are a lot of quality companies that are being overlooked and are underappreciated because they are not in the index. That creates opportunities for value investors; that's what we bring to the table.

We're uncovering names like those I just mentioned that we believe are either discounted or not being recognized for their true free cash flow and earnings potential. In the last six months, we've had four takeouts in our portfolio — companies that were acquired or an offer was made by other companies or private equity investors. Not all market participants are passive investors. **Harman**, which was recently bought by **Samsung** (KRX:005930); **Cynosure**, which was recently bought by **Hologic** (NASDAQ:HOLX); **VCA — Veterinarian Care of America** — was recently bought by a private equity firm, and just recently, another private equity firm made an offer to acquire **Lifetime Brands** (NASDAQ:LCUT).

With a lot of investors just going into these passive index funds, it's leaving a lot of good companies on the sidelines that we think are inexpensive. Other investors, whether it's acquiring companies, private equity firms or active investors, recognize these values and will act on them to achieve their objectives. And I would say to people, really understand, you can't get rid of active management because active management is actually going in there and finding good undervalued businesses with solid or improving cash flows.

TWST: Looking at Millennials now, what do you think might get them more involved in the market? Do you think that they are a group that potentially could start to buy a lot more stocks?

Mr. Heyman: I do. I think that as people get older, and they start to plan and look at the future, I think that's where they will start to look at investing, but I do think that, right now, there is the craze of the passive investing, and I think that's what they know. That's what they have grown up with. But active management, I believe, over time has to be a participant in one's overall portfolio. I do believe as people grow up that they start to look a little more broadly at how they are investing and what they're investing in as they accumulate wealth, and active investing will be a larger part of that picture.

TWST: Do you get a sense, too, that when it comes to new media companies and those kinds of things that they might try and invest in companies that they're familiar with and use? They know all the social media much better than the Baby Boomers do.

Mr. Heyman: I do believe that is the case, but I also believe that companies move over the long term based on valuation. And eventually, they will get burned by investing in something that they're used to but maybe doesn't generate free cash flow or maybe is overvalued. And when it comes down to it, I know that I've been doing this for over 20 years, and at the time that I got involved, it was the internet craze, and it was anything having to do with the internet going back to the late 1990s. That's what everybody was doing. And they said value investing is dead, and old-economy companies are obsolete, and everybody should be investing in this new economy, that there is a new way of investing. Everything always comes back to free cash flow. Everything always comes back to understanding what you own.

And I think that Millennials will learn that although they may be successful on some investments in new media, that history repeats itself, and not all companies they know or are drawn to will be successful. What I know from my experience is that you take advantage of mispricing in good companies with good free cash flow, and eventually, people will recognize the value in those companies. If you really understand what you own and the fundamentals behind each business, that's what gives you an edge in long-term investing.

TWST: Thank you. (ES)

ERIC R. HEYMAN
EVP, Portfolio Manager & Director of Research
Olstein Capital Management
4 Manhattanville Road
Purchase, NY 10577
(800) 799-2113 — TOLL FREE
www.olsteinfunds.com
e-mail: info@olsteinfunds.com

This information should be preceded or accompanied by a current prospectus, which contains more complete information, including investment objectives, risks, charges and expenses of the Olstein Funds and should be read carefully before investing. A current prospectus may be obtained by calling (800) 799-2113 or visiting the Olstein Funds' website at www.olsteinfunds.com.

The Olstein Funds follows a value-oriented investment approach. However, a particular value stock may not increase in price as the Investment Manager anticipates and may actually decline in price if other investors fail to recognize the stock's value or if a catalyst that the Investment Manager believes will increase the price of the stock does not occur or does not affect the price of the stock in the manner or to the degree that the Investment Manager anticipated. Also, the Investment Manager's calculation of a stock's private market value involves estimates of future cash flow which may prove to be incorrect and, therefore, could result in sales of the stock at prices lower than the Fund's original purchase price. There is no assurance that the fund will achieve its investment objective.

An investment in a portfolio containing small- and mid-cap companies is subject to additional risks, as the share prices of small- and mid-cap companies are often more volatile than those of larger companies due to several factors, including limited trading volumes, products, financial resources, management inexperience and less publicly available information. The activist strategy invests in stocks of underperforming companies and any shareholder activism might not result in a change in performance or corporate governance. These stocks could also experience less liquidity and higher share price and trading volume volatility than stocks of other companies.

The above represents opinion, and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Any references to securities (including valuation opinions) are not buy or sell recommendations, but are intended to be descriptive examples of the fund's investment philosophy and are subject to change. Do not make investments based on the securities referenced. As of 12/31/17, the Olstein Strategic Opportunities Fund maintained a position in the following securities referenced above, and is subject to change: ServiceMaster Global Holdings (1.0%); Patterson Companies, Inc. (3.2%); Keysight Technologies Inc. (3.4%); and Lifetime Brands Inc. (1.6%). As of 12/31/17, the Olstein Strategic Opportunities Fund did not maintain a position in the following securities referenced above, and is subject to change: Alphabet Inc. (Google), Facebook Inc., Merck & Company, Agilent Technologies, Inc., Samsung Electronics Co., VWR Corp. and Hologic Inc. Positions in other portfolios managed by the investment manager may differ.

Not FDIC insured – Not bank-guaranteed – May lose value
Distributed by Olstein Capital Management, L.P. – Member FINRA
TWST Seeking Solid Businesses Facing Strategic Challenges - 0317