DEAN Capital Management

Mid Cap Value Commentary

Second Quarter 2017

Performance Comparison[1]

Periods Ended 6/30/17 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	S. I.[1]
DCM Mid Cap Value (gross)	1.46	5.43	15.75	9.44	15.73	13.08
DCM Mid Cap Value (net)	1.24	4.99	14.73	8.43	14.65	12.02
Russell Midcap Value	1.37	5.18	15.93	7.46	15.14	10.34

Periods greater than 1 year are annualized
[1]DCM inception was June 30, 2008

Performance Summary

The DCM Mid Cap Value Strategy was up 1.46% net of fees for the quarter ended June 30, 2017, compared with the Russell Midcap Value Index, up 1.37%, and the Russell Midcap Index, up 2.70%.

Similar to last quarter, style factors proved a headwind to the portfolio. Growth stocks continue to dominate value stocks in 2017 as the Russell Midcap Growth Index outpaced the Russell Midcap Value Index by 2.84% in the second quarter. With uncertainty on overall economic growth, investors have concentrated in stocks with proven growth regardless of the macro environment. This has led to strong performance in growth stocks and widening valuation spreads between growth and value. In addition, large capitalization stocks continued to outperform small and mid-capitalization stocks, negatively impacting our performance as our average weighted market cap is less than the benchmark. Offsetting the negative impacts of growth and size, we benefitted from being underweight dividend yield and less exposure to stocks with weak balance sheets.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Energy	6.4%	9.0%	-2.6%	-11.4%	-11.9%	-78 bps	40 bps
Health Care	6.8%	4.5%	2.3%	8.7%	7.8%	57 bps	23 bps
Materials	8.4%	6.0%	2.4%	2.0%	0.1%	17 bps	13 bps
Utilities	7.8%	11.4%	-3.6%	2.5%	1.8%	20 bps	2 bps
Telecommunication Services	0.0%	1.2%	-1.2%	0.0%	-1.0%	0 bps	2 bps
Industrials	13.9%	12.9%	0.9%	2.7%	2.9%	41 bps	-1 bps
Financials	16.3%	19.5%	-3.3%	3.7%	3.3%	55 bps	-2 bps
Real Estate	7.5%	14.2%	-6.7%	1.1%	1.5%	7 bps	-4 bps
Information Technology	11.0%	9.2%	1.8%	3.2%	3.5%	33 bps	-4 bps
Consumer Staples	6.3%	3.3%	3.0%	-3.2%	0.3%	-13 bps	-18 bps
Consumer Discretionary	13.1%	8.9%	4.2%	0.4%	4.6%	6 bps	-41 bps

(see disclosures)

The best performing sector relative to the Russell Midcap Value Index was Energy. The outperformance was primarily driven by our underweight position in Energy, which significantly underperformed the broad benchmark. Our addition of RPC (RPC) late in the quarter benefitted our stock selection. Energy stocks have turned decidedly negative as inventories continue to build post the euphoria associated with OPEC production cuts announced in 2016. We continue to add selectively to high quality names on sector weakness.

Health Care was the second best performing sector relative to the benchmark. Our overweight position in the top performing sector was additive. However, stock selection, driven by the takeout of CR Bard, was the primary driver of outperformance. The Health Care sector continues to recover from the election cycle as apprehension related to a revised health care bill subsides.

Consumer Discretionary was the worst performing sector relative to the benchmark. Poor stock selection in the Retail industry drove the underperformance. Online retailing, primarily from behemoth Amazon, has created significant disruption to traditional retail in multiple categories. A lowering of guidance by two retailers led to a significant selloff as concerns increased Amazon was gaining traction in the auto parts and tire categories.

The second worst performing sector relative to the benchmark was Consumer Staples. The underperformance was driven by stock selection with Dr. Pepper Snapple Group (DPS) down -6.4% for the quarter and Casey's (CASY) down -6.9% for the period held. Both companies reported less than impressive earnings in the quarter.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	CR BARD INC	1.92	44 bps
2	KANSAS CITY SOUTHERN	1.45	31 bps
3	EQUITY LIFESTYLE PROPERTIES	2.38	28 bps
4	INVESCO LTD	1.85	28 bps
5	GILDAN ACTIVEWEAR INC	1.92	26 bps
6	ARAMARK	1.69	19 bps
7	INTERNATIONAL PAPER CO	1.59	19 bps
8	XYLEM INC	1.79	19 bps
9	LKQ CORP	1.46	17 bps
10	DELPHI AUTOMOTIVE PLC	1.79	16 bps

	Top 10 Detractors	Average % Weight	Contribution
1	ADVANCE AUTO PARTS INC	0.74	-32 bps
2	MONRO MUFFLER BRAKE INC	0.47	-27 bps
3	NOBLE ENERGY INC	1.37	-27 bps
4	OCEANEERING INTL INC	1.40	-23 bps
5	PIONEER NATURAL RESOURCES CO	1.41	-22 bps
6	MURPHY USA INC	0.85	-18 bps
7	WEINGARTEN REALTY INVESTORS	2.01	-18 bps
8	STERICYCLE INC	0.48	-14 bps
9	CASEY'S GENERAL STORES INC	0.73	-10 bps
10	CUBESMART	1.15	-10 bps

Selected Contributor(s) to Performance

The two largest contributing stocks in the quarter were CR Bard (BCR) and Kansas City Southern (KSU).

CR Bard was the best contributing stock in the quarter, up 27.3%. CR Bard manufactures medical, diagnostic and surgical devices that are primarily intended for one-time use. Sales are in four key areas including Vascular, Urology, Oncology and Surgical Specialties. The company's products are #1 or #2 in 80% of the markets in which it participates. In April, Becton, Dickinson & Co. (BDX) agreed to purchase CR Bard for cash and stock totaling $317 per share, an approximately 25% premium to the prior closing price. Bard's product line-up will complement Becton's intravenous drug delivery systems and create synergies to reduce costs in providing products to medical facilities. The deal is expected to be completed in late 2017. The portfolio continues to hold BCR.

The second largest contributing stock was Kansas City Southern, up 22.4% this quarter. KSU is the smallest of the Class 1 railroads. Its primary network resides in 10 central U.S. states as well as in the central and northeastern states of Mexico. Prior to the United States elections, KSU had experienced slower growth and operational issues within its network. Post the elections, uncertainty in trade relations with Mexico continued to add significant pressure to the stock. Since entering the shares in early March, railroad volumes have stabilized and the rhetoric around trade barriers with Mexico has lessened, leading to a significant improvement in the stock. While conceding the fact that headlines could create volatility in the shares, the portfolio continues to hold the stock based on valuation and expected improvement in fundamentals.

Selected Detractor(s) from Performance

The two largest detracting stocks in the quarter were auto parts and service related stocks Advanced Auto Parts (AAP) and Monro Muffler and Brake (MNRO).

The largest detracting stock in the quarter was Advanced Auto Parts, down 19.7% for the period held. AAP is a leading aftermarket car parts provider serving both professional installers and do-it-yourself (DIY) customers with approximately 5,100 retail locations. Retail sales within auto retailers have been soft over the past several quarters due to mild weather and increased promotional activity, leading to attractive valuations. Shortly after initiating a position early in the quarter, AAP conducted an analyst meeting where profit expectations were lowered as cost reduction programs will not be realized as expected. In addition, shortly after the end of the current quarter, O'Reilly Automotive (ORLY), a primary competitor, lowered near term expectations on weak sales. This has led to increased pressure on AAP's stock price and raised concerns the industry is experiencing disruptive competition from non-traditional auto retailers such as Amazon. While our timing of purchase was admittedly poor, the portfolio continues to hold the stock, and we will monitor it closely if secular pressures increase.

Monro Muffler Brake, down -18.0% for the period held, was the second largest detracting stock in the quarter. The company operates approximately 1,200 retail locations under several brand names focusing on automotive undercar repair services such as brakes, exhaust, and suspension and on tire sales and services. The company has increased its focus on growing the tire sales and service business with tires now accounting for 50% of the sales mix. As with AAP, we initiated a position early in the quarter, which proved to be a poor entry point. MNRO reported a slightly softer sales outlook in the quarter, partially due to weak tire sales related to a mild winter. In addition, fears have accelerated that weak sales are more than a function of weather but are also related to higher non-traditional competition from Amazon, which now sells a large number of tire SKUs. Similar to AAP, the portfolio continues to hold MNRO, and we will closely monitor the competitive landscape.

Current Opportunities

Our largest overweight sectors are Industrials and Materials while our largest underweight sectors are Real Estate and Utilities. During the quarter, we added the most weight to Consumer Discretionary and Industrials while reducing our holdings in Information Technology and Real Estate. We took advantage of several price dislocations in the Consumer Discretionary sector as fears mount over competitive factors. In addition, we exited a semiconductor equipment manufacturer in the Information Technology sector due to significant outperformance and high valuation. With the recent slide in Energy stocks, we are beginning to see attractive valuations in companies meeting our quality criteria. The relative sector level weights are a factor of our bottom up process rather than a macro call on any one sector or the overall economy.

Disclosures

Dean Capital Management, LLC (DCM) is an independent investment management firm owned by LLC members and entities affiliated with C.H. Dean, LLC. The firm manages a variety of equity and fixed income assets for institutional and individual investors. Dean Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS). Past performance is no guarantee of future results.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account at the time you receive this report or that securities sold have not been repurchased.

The Mid Cap Value style uses value oriented equities, the majority of which have a market capitalization between $2 billion and $20 billion at purchase. These are fully invested equity styles which range from 90%-100% in equity.

Future performance based on prior results should not be assumed. The Russell Midcap Index is a subset of the Russell 1000 Index and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The Russell Midcap Value Index measures the performance of those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. Members of the Russell Midcap Value Index are also members of the Russell 1000 Value Index. These stock indexes assume reinvestment of dividends and capital gains, and assume no management, custody, transaction or other expenses. Russell statistics used in this presentation were obtained from Russell Investments (www.russell.com).

Performance represents all fully discretionary commission accounts for the respective strategy. A complete list and description of DCM's composites and additional information regarding the calculation and reporting of returns is available upon request. To obtain a GIPS compliant presentation and/or the firm's list of composite descriptions please contact us at 1.913.944.4452.

The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities' transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The contributors/detractors listed do not represent all securities purchased or sold for our clients. To obtain a list showing the contribution of each holding that contributed to overall performance during the period and the calculation methodology, please call 1.913.944.4452. The detailed sector attribution table is specific to the policy portfolio for the strategy. Individual account results may vary.

Gross performance figures do not reflect payment of investment advisory fees, but do reflect deduction of brokerage commissions and trading expenses. Net of fee performance reflects the deduction of advisory fees, brokerage commissions, trading and other expenses. Net results reflect the deduction of a model fee equivalent to the highest applicable advisory fee. The net compounded effect of the deduction of fees over time will be affected by the amount of the fee, the time period, and investment performance. Management fee schedules are available on Form ADV Part 2A.

Performance presents results with all dividend and interest income reinvested and are stated in U.S. Dollar terms. Leverage is not used in any portfolio in these composites. Certain accounts owned or controlled by DCM or C.H. Dean, LLC employees are non-fee paying assets and represent the following percentage of the composites: Mid Cap Value: 2008: 100.0% 2009: 100% 2010: 39.9% 2011: 11.1% 2012: 7.4% 2013: 6.8% 2014: 4.0% 2015: 4.1% 2016: 3.6% 2017: 3.2%*

FOR MORE INFORMATION

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ABOUT DEAN CAPITAL MANAGEMENT, LLC

Dean Capital Management, LLC ("DCM") is an employee-owned registered investment advisor founded in March 2008. Located in Overland Park, Kansas, DCM is a long-only, fundamental U.S. Value equity manager. DCM manages portfolios across the capitalization spectrum for institutional clients, financial intermediaries and advisors.

Dean Capital Management is majority-owned by the founding principals, who also comprise the investment team. Additionally, all investment professionals maintain significant personal investments in DCM managed products, further aligning the investment team with our clients.