DEAN Capital Management

Mid Cap Value Commentary

First Quarter 2018

Performance Comparison[1]

Periods Ended 3/31/18 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	S. I.[1]
DCM Mid Cap Value (gross)	-2.69	-2.69	8.97	10.31	12.31	12.84
DCM Mid Cap Value (net)	-2.90	-2.90	8.07	9.32	11.28	11.79
Russell Midcap Value	-2.50	-2.50	6.50	7.23	11.11	10.07

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

Performance Summary

The Dean Mid Cap Value composite was down -2.69% (gross of fees) for the quarter ended March 31, 2018, compared with the Russell Midcap Value Index, down -2.50%.

Macro style factors were positive this quarter relative to the Russell Mid Cap Value Index. The key driver was our preference for quality and stocks with low financial leverage. In a period with rising interest rates, low debt or cash is preferred as the companies with debt will see rising expenses or difficulty in financing their operations. Like the past year, growth has continued to outperform value, and stocks with earnings and price momentum continue to outperform. Relative to the benchmark, the overweight of momentum and underweight of value characteristics was beneficial.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Consumer Staples	5.8%	3.9%	1.8%	3.4%	-4.5%	14 bps	36 bps
Industrials	16.1%	12.3%	3.8%	-1.4%	-3.9%	-23 bps	35 bps
Information Technology	10.4%	6.6%	3.8%	7.7%	7.0%	59 bps	25 bps
Real Estate	7.2%	13.3%	-6.1%	-10.2%	-7.4%	-64 bps	20 bps
Health Care	4.7%	6.6%	-1.9%	2.3%	-2.2%	0 bps	11 bps
Telecommunication Services	0.0%	0.5%	-0.5%	0.0%	1.7%	0 bps	-2 bps
Materials	7.9%	5.7%	2.2%	-4.5%	-4.1%	-33 bps	-11 bps
Consumer Discretionary	13.7%	12.2%	1.6%	-4.5%	-3.0%	-58 bps	-14 bps
Utilities	7.4%	9.9%	-2.5%	-5.0%	-2.2%	-32 bps	-21 bps
Energy	5.8%	8.1%	-2.3%	-11.3%	-5.4%	-75 bps	-38 bps
Financials	17.1%	21.0%	-3.9%	-3.7%	0.8%	-67 bps	-86 bps

(see disclosures)

The best performing sector relative to the benchmark was Consumer Staples. The outperformance was driven by our holding in Dr. Pepper Snapple Group (DPS), which was up significantly on the news it would acquire private company Keurig Green Mountain Inc in an $18.7B deal.

The second best performing sector relative to the benchmark was Industrials. The sector faced headwinds as growth relative to expectations was subdued, and trade war concerns took center stage as the current administration proposed tariffs on many imports. Defense contractor Curtis Wright (CW), valve and pump company Xylem (XYL), and railroad Kansas City Southern (KSU) bucked the negative concerns leading to strong gains in the quarter. The overweight in the Industrial sector was a slight offset to performance.

Financials were the worst performing sector relative to the benchmark. The underperformance was primarily due to stock selection in the Insurance and Diversified Financial industries. In the Insurance industry, holdings Allstate Corp. (ALL) and Torchmark (TMK) both had strong quarters but disappointed the market with weak forward guidance. Both companies expect margins to be lower in the upcoming year as expenses and investment are projected higher. Diversified Financial holdings Invesco (IVZ) and Ameriprise Financial (AMP), both highly tied to overall stock market results, tumbled on weak markets and fear that a trade war could prompt a significant market decline.

Energy was the second-worst performing sector relative to the benchmark. The underperformance was driven by stock selection. Our two largest detracting stocks, discussed later in this report, were both Energy stocks.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	DST SYSTEMS INC	1.93	50 bps
2	KEYSIGHT TECHNOLOGIES INC	1.65	37 bps
3	DR PEPPER SNAPPLE GROUP INC	1.88	35 bps
4	INTERPUBLIC GROUP OF COS INC	1.66	23 bps
5	XYLEM INC	1.87	22 bps
6	EASTMAN CHEMICAL CO	1.58	21 bps
7	ENERGEN CORP	1.56	19 bps
8	CURTISS-WRIGHT CORP	1.60	16 bps
9	ESSEX PROPERTY TRUST INC	0.91	14 bps
10	M & T BANK CORP	1.80	13 bps

	Top 10 Detractors	Average % Weight	Contribution
1	RPC INC	1.45	-56 bps
2	CIMAREX ENERGY CO	0.90	-37 bps
3	WEINGARTEN REALTY INVESTORS	0.78	-37 bps
4	ALLSTATE CORP	0.80	-28 bps
5	HIGHWOODS PROPERTIES INC	1.80	-28 bps
6	PARKER HANNIFIN CORP	1.60	-23 bps
7	ALLIANCE DATA SYSTEMS CORP	1.39	-22 bps
8	AMERIPRISE FINANCIAL INC	1.70	-21 bps
9	INVESCO LTD	1.77	-21 bps
10	GILDAN ACTIVEWEAR INC	1.86	-20 bps

Selected Contributor(s) to Performance

DST Systems Inc (DST), up 34.8%, was the largest contributing stock in the quarter. DST provides information processing software and services to the mutual fund, insurance, retirement, and healthcare industries. Approximately 80% of revenues are from the Financial Services segment with the remainder from Healthcare Services. SS&C Technologies Holdings (SSNC) announced its intent to acquire DST for $84 per share in an all cash transaction, a premium of approximately 30% to DST's prior closing price.

Keysight Technologies (KEYS), up 25.9% in the quarter, was the second-best contributing stock. Keysight is an electronic measurement company, focusing on wireless, modular, and software solutions. The company delivers solutions in wireless communications, aerospace and defense, and semiconductor markets. Keysight derives just over 60% of its revenue internationally with the remaining portion from the Americas. After having the company's headquarters and operations negatively impacted by the November wildfires in Northern California, Keysight exceeded expectations with core orders up 16% and backlog exceeding $1B. The company is seeing record orders for 5G technology and indicated they expect US defense spending to impact the later part of the year.

Selected Detractor(s) from Performance

The largest detracting stock in the quarter was RPC Inc (RES), down -32.6% for the period held. RPC is an onshore oilfield services company with technical services in pressure pumping, downhole tools, coiled tubing, and support services including rental tools and pipe handling. Over 50% of revenue comes from pressure pumping services. RPC has a modern pressure pumping fleet with some of the best performance per hydraulic horsepower. RPC benefits by having almost 70% of assets in Texas (40% in the low-cost Permian) with the remainder in the mid-continent and the Bakken. The Chairman of the company owns approximately 68% of the company, and this has led to a more conservative management style relative to peers. The company reported fourth quarter earnings nearly 50% below street expectations citing a higher than anticipated seasonal slowdown, sending shares significantly lower. In addition, concerns on Permian capital spending plan weakness and the prospect of increased pressure pumping capacity in the latter half of the year also weighed on the stock. The position was exited late in the quarter.

The second largest detracting stock in the quarter was Cimarex Energy (XEC), down -24.7% for the period held. Cimarex is an oil and gas exploration company with its principal operations in the Mid-Continent and Permian Basin regions of the U.S. Historically, the company has generated superior returns and growth relative to Permian peers due its strong asset base and technical expertise in the region. In recent quarters, capital efficiency has declined modestly. In February, the company confirmed capital efficiency was to continue declining in 2018 with guidance of lower production and higher capital spending than expected. The stock was exited in the quarter.

Current Opportunities

The portfolio's largest overweight sectors relative to the benchmark are Industrials, Information Technology, and Consumer Staples. Utilities, Financials, and Energy are the largest underweighted sectors. During the quarter, weighting was added to Health Care, Information Technology, and Utilities. As interest rates have risen, the underweight in Utilities was reduced as the sector has lagged meaningfully. The addition to the Technology sector was due to the acquisition of DST, which now trades like cash. The significant overweight in Materials was reduced as was Energy and Financials. The Energy weight was reduced with the sale of two companies with company specific headwinds while Financials were reduced on the concern of a flattening yield curve and higher pricing competition would lead to lower profitability.

After a year with historically low volatility, the reality of rising interest rates coupled with political risk over trade, budgets, and international relations has brought volatility back to the markets with a vengeance. Historically, volatility has led to opportunities for our price sensitive investment style. However, we currently remain cautious due to being in the late innings of the business cycle with valuations still being expensive by historical standards. Our focus remains on finding high quality names with a narrow range of outcomes with attractive valuations.

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. DCM 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% 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: 100.0% 2010: 39.9% 2011: 11.1% 2012: 7.4% 2013: 6.8% 2014: 4.0% 2015: 4.1% 2016: 3.6% 2017: 3.1% 2018: 2.9%.*

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.

DCM 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.