DEAN Capital Management

Multi-Cap Value Commentary

Third Quarter 2018

Performance Comparison[1]

Periods Ended 9/30/18 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
Dean Multi-Cap Value (gross)	5.52	5.47	12.78	15.41	11.49	10.87	10.83
Dean Multi-Cap Value (net)	5.37	5.00	12.11	14.62	10.65	10.00	9.96
Russell 3000 Value	5.39	4.17	9.46	13.75	10.65	9.76	8.94

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

Performance Summary

The DCM Multi-Cap Value composite gross total return was 5.52% in the third quarter of 2018, compared with the Russell 3000 Value Index return of 5.39%.

Several inherent aspects of our investment process proved to be positive broad factors influencing performance this quarter. Our quality bias, especially related to more profitable firms and higher long term growth, was a tailwind in the third quarter. On the other hand, owning lower valued stocks with lower volatility and smaller market capitalizations than the benchmark were negative factors this quarter.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Consumer Discretionary	3.8%	5.7%	-1.8%	6.9%	0.5%	26 bps	34 bps
Consumer Staples	6.6%	6.9%	-0.3%	8.1%	4.3%	51 bps	23 bps
Materials	4.3%	4.1%	0.3%	4.3%	0.1%	19 bps	17 bps
Communication Services	4.8%	6.4%	-1.6%	9.7%	6.4%	45 bps	14 bps
Information Technology	12.1%	9.7%	2.5%	8.3%	7.7%	100 bps	14 bps
Utilities	6.3%	5.6%	0.7%	5.0%	2.5%	32 bps	14 bps
Real Estate	3.0%	5.3%	-2.3%	-1.1%	0.7%	-3 bps	6 bps
Industrials	8.7%	8.3%	0.4%	6.3%	8.0%	54 bps	-13 bps
Financials	21.1%	24.0%	-2.9%	2.6%	3.9%	57 bps	-22 bps
Health Care	14.7%	13.7%	0.9%	13.1%	15.4%	187 bps	-22 bps
Energy	10.1%	10.4%	-0.3%	-1.6%	1.2%	-20 bps	-32 bps

(see disclosures)

Consumer Discretionary was the best performing sector relative to the benchmark in the third quarter. While the portfolio was underweight this underperforming sector, stock selection was the larger influence on attribution. The portfolio's strongest holding in the space was leading automotive replacement part retailer AutoZone (AZO), up 15.6%. The company reported better than expected second quarter earnings driven by a strong gross margin and improved same store sales. The portfolio continues to hold AZO.

The second best sector relative to the benchmark was Consumer Staples. The sector's outperformance was driven by stock selection. Expectations were low for household cleaning products maker Clorox (CLX) after several quarters of margin deterioration due to rising costs. The stock was up 12.0% for the quarter after meeting expectations and guiding to a "less bad" FY19 as the company expects to capture increased pricing to stabilize margins. After several quarters of missing earnings expectations due to weak sales growth and rising expenses, chocolate snack maker Hershey (HSY) exceeded low expectations, rising 10.4% in the quarter. With easier comparisons moving forward and recent increased pricing holding, optimism is improving in the stock. In addition, Hershey continues to bolster its snacking product line-up with the purchase of Pirate Brands, the maker of puffed rice and corn snacks, for $420 Million in October.

Energy was the worst performing sector relative to the benchmark. The underperformance was due to stock selection with two holdings down greater than -8.0%. Cimarex Energy (XEC) has struggled over the past year with declining returns and production challenges as natural gas liquids growth is outpacing oil growth. More detail on Cimarex is provided in the key securities section. In addition, oilfield equipment supplier Schlumberger LTD (SLB) reported that North American fracking activity, the process of fracturing the rock to make oil and gas flow within the well, continues to decline going into the fourth quarter and expects the trend to continue into 2019. While North American activity is waning, international and deep-water activity continues to see very modest improvement from a low base.

The second worst sector was Health Care, which was the benchmark's top performing sector, up 15.4%. However, three of the strategy's holdings failed to keep pace with the sector with Stryker (SYK) up 5.5%, Davita (DVA) up 3.2%, and McKesson (MCK) down -0.3%. Stryker, a surgical products company, and Davita, an operator of kidney dialysis clinics, both continued the trend of inline quarters with little new information to drive the stocks significantly higher. Medical supply and drug distributor McKesson continues to be hampered by stiff competition and concerns over drug pricing trends, holding back the shares in the quarter.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	ENCOMPASS HEALTH CORP	3.35	57 bps
2	CVS HEALTH CORP	1.93	41 bps
3	PFIZER INC	1.98	41 bps
4	MICROSOFT CORP	2.52	39 bps
5	CISCO SYSTEMS INC	2.68	36 bps
6	F5 NETWORKS INC	2.12	32 bps
7	BERKSHIRE HATHAWAY INC-CL B	2.24	31 bps
8	JOHNSON & JOHNSON	2.26	31 bps
9	AUTOZONE INC	1.81	27 bps
10	THE WALT DISNEY CO	2.17	26 bps

	Top 10 Detractors	Average % Weight	Contribution
1	CIMAREX ENERGY CO	1.51	-15 bps
2	BLACKROCK INC	2.59	-14 bps
3	SCHLUMBERGER LTD	1.48	-13 bps
4	BANK OF NEW YORK MELLON CORP	2.14	-11 bps
5	CHEVRON CORP	2.37	-7 bps
6	BB&T CORP	2.03	-6 bps
7	INTEL CORP	1.30	-6 bps
8	SUMMIT HOTEL PROPERTIES INC	1.31	-6 bps
9	CAPITOL FEDERAL FINANCIAL INC	1.52	-4 bps
10	COGNIZANT TECH SOLUTIONS-A	1.98	-4 bps

Selected Contributor(s) to Performance

The highest contributing security this quarter was Encompass Health Corporation (EHC, formerly HealthSouth). Encompass Health provides post-acute healthcare services on both an inpatient and outpatient basis. The company operates inpatient rehabilitation hospitals and long-term acute care hospitals. EHC was up 15.4% in the quarter and was our largest holding, averaging 3.4% of the portfolio. Encompass' earnings exceeded prior guidance as increases in bad debt reserves and group healthcare costs failed to materialize. The company continues to see improving volumes in its facilities and higher Medicare rates allowing the company to again raise guidance for 2018 earnings. While the portfolio has reduced weight after the stock's strong performance, the stock is still held as valuation remains reasonable.

The second strongest security contribution this quarter was CVS Health Corp (CVS). CVS was up 23.3% in the third quarter. The company reported better than expected second quarter earnings on better than expected revenue growth, operating margins, and same store sales. CVS Health is executing a strategy of expanding beyond its retail pharmacy to become a broad healthcare services company. The firm has positioned itself as a major U.S. healthcare player by developing into a top-tier pharmacy benefit manager and one of the largest U.S. pharmacy retailers. CVS recently announced it will acquire Aetna in a move to vertically expand its operations into health insurance. If CVS can successfully close this deal and execute its ambitious strategy, it will transform itself into one of the most powerful players within the healthcare space. The portfolio continues to hold CVS.

Selected Detractor(s) from Performance

The largest detracting stock this quarter was Cimarex Energy (XEC), down -8.5%. 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 as capital spending has risen without an increase in production and pricing differentials have widened. In August, the company reported production that fell below recently reduced expectations. In addition to production and capital efficiency issues, Permian producers continue to face constraints on take-away capacity causing the region's oil to be sold at a significant discount to spot market prices. Due to the company's high-quality assets, the portfolio continues to hold Cimarex with the expectation that an inflection point in production in 2019 will benefit the shares.

The second lowest contributing security this quarter was BlackRock Inc (BLK). BlackRock is the world's largest asset manager with more than $6.4 trillion of assets under management (AUM). The firm's product mix is diverse with 50% of managed assets in equity strategies, 30% in fixed income, and the remainder in multi-asset, money market funds, and alternative assets. Passive strategies account for close to two thirds of AUM, with the company's iShares exchange traded fund platform maintaining a leading market share. The stock underperformed in recent months due to net outflows that have occurred for the first time since the fourth quarter of 2015. The net outflows are principally a result of investors' market fears, rising interest rates, and potential tariff-induced industrial and consumer weakness. Asset flows will generally reflect investor sentiment and the broad investment market. The long term quality of BlackRock remains intact, and the portfolio continues to hold BLK.

Current Positioning

The DCM Multi Cap Value portfolio is overweight Information Technology, Utilities, and Consumer Staples. The portfolio is underweight Real Estate, Consumer Discretionary, and Financials.

The economy appears to be strong. This strength is allowing the Federal Reserve to raise interest rates toward what might be labeled as more normal levels. The question is how long will it last? At some point, higher interest rates, gasoline prices, tariff-induced industrial weakness, consumer price increases, and/or unforeseen outside shocks will cause the economic growth to slow. Stocks that typically outperform in such an environment are trading at more attractive valuations on a normalized basis relative to those that will benefit most from continued economic expansion. As such, we continue to shift toward less cyclical areas of the market, including purchases in Consumer Staples and Health Care this quarter.

Our disciplined investment process does not waver regardless of market swings or economic vicissitudes. We are constantly searching for the best risk/rewards within a universe of high quality value stocks. We diversify the portfolio across many securities, economic sectors, and market capitalizations. In the past, this process has led to relatively strong performance in times of market upheaval. We see no reason that should change going forward.

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 Multi-Cap Value style uses value oriented equities across the market capitalization spectrum of small, mid, and large stocks. This style is a fully invested equity style which ranges from 90%-100% equity.

Future performance based on prior results should not be assumed. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. 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, and 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: 2008: 47.8% 2009: 52.2%. Beginning June 1, 2010, there were no non-fee paying accounts included in the composite.

FOR MORE INFORMATION

Patrick J. Krumm
Founding Member/
Director of Institutional Sales

7400 W. 130th St., Suite 350
Overland Park, KS 66213

pkrumm@deancapmgmt.com
913-944-4452
www.deancapmgmt.com

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.