DEAN Capital Management

Multi-Cap Value Commentary

Second Quarter 2018

Performance Comparison[1]

Periods Ended 6/30/18 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
Dean Multi-Cap Value (gross)	3.13	-0.04	10.86	10.24	11.19	10.52	10.52
Dean Multi-Cap Value (net)	2.98	-0.34	10.20	9.45	10.34	9.64	9.64
Russell 3000 Value	1.71	-1.16	7.25	8.48	10.40	8.60	8.60

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 3.13% in the second quarter of 2018, compared with the Russell 3000 Value Index return of 1.71%.

Macro style factors contributed negatively to performance this quarter. More volatile stocks' outperformance continued to negatively impact performance this quarter, as did the outperformance of growth stocks. Additionally, strong relative performance by higher dividend yield stocks was a headwind.

Positive factors in the quarter included size, momentum and debt leverage. Smaller stocks outperformed, and the Dean Multi portfolio is overweight smaller capitalization stocks relative to the benchmark. For the first time in a while, momentum stocks underperformed, and that was a positive contributor. Finally, the portfolio holdings have lower debt leverage, and this contributed positively in the second quarter.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Information Technology	12.4%	9.3%	3.1%	5.1%	-0.5%	67 bps	66 bps
Materials	4.4%	3.2%	1.3%	14.3%	2.7%	64 bps	51 bps
Financials	22.0%	26.9%	-4.9%	-2.1%	-2.8%	-44 bps	38 bps
Consumer Staples	5.9%	6.7%	-0.9%	0.2%	-3.8%	2 bps	34 bps
Health Care	14.4%	13.6%	0.7%	4.8%	2.9%	67 bps	27 bps
Telecommunication Services	2.5%	2.7%	-0.1%	6.5%	-2.9%	16 bps	23 bps
Utilities	6.1%	5.8%	0.3%	6.0%	4.5%	36 bps	10 bps
Industrials	9.2%	8.4%	0.8%	-1.6%	-1.9%	-11 bps	1 bps
Real Estate	2.7%	5.1%	-2.4%	11.8%	9.5%	21 bps	-20 bps
Consumer Discretionary	6.1%	7.1%	-1.0%	-3.0%	3.9%	-18 bps	-43 bps
Energy	10.3%	11.3%	-1.0%	11.3%	14.9%	105 bps	-45 bps

(see disclosures)

Information Technology was the best performing sector relative to the benchmark. The sector underperformed the benchmark as concerns related to an increasing trade war with China caused the stocks to trade down. The Semiconductor industry was hit hardest with much of the manufacturing based in China, which was beneficial due to the strategy's underweight to semiconductor stocks. Software stocks Microsoft (MSFT) and Alliance Data Systems (ADS) along with hardware application stock F5 Networks (FFIV) significantly outperformed the sector driving the majority of outperformance. Microsoft continues to see momentum as its cloud-based strategies take hold. Alliance Data benefitted from improving trends in retail, its prime customers, while F5 Networks saw improving trends as the transition away from hardware-based applications to their new cloud-based applications hit an inflection point.

The second best sector relative to the benchmark was Materials. The overweight to the sector was slightly additive but the majority of outperformance was driven by stock selection. Holdings Praxair (PX) and Nutrien (NTR) significantly outperformed the benchmark in the period, up 10.2% and 15.9%, respectively. Praxair continues to benefit from strong economic conditions and growing industrial demand. The Linde acquisition also appears to be moving toward regulatory approval, mitigating an overhang in the stock. Nutrien benefitted from improved pricing and cost reductions as the benefits of the combination of Agrium and Potash take hold.

The worst sector relative to the benchmark was Energy. With the sector generating a benchmark leading return of 14.9%, the underweight to the sector was a negative. In addition, stock selection proved negative as the strategy's holdings are focused in relatively lower beta stocks with a narrower range of outcomes. In a risk on environment, stocks with higher operating or financial leverage tend to outperform as was the case this period. While EOG Resources (EOG) was the strategy's second largest contributing stock to performance, relative to other stocks in the Energy sector, EOG slightly underperformed peer Energy stocks.

Consumer Discretionary was the second worst performing sector relative to the benchmark. The underperformance was driven by Auto industry holding BorgWarner (BWA), down -13.9% in the quarter. The issues with BorgWarner are discussed in more detail below.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	ENCOMPASS HEALTH CORP	3.12	55 bps
2	EOG RESOURCES INC	2.43	41 bps
3	F5 NETWORKS INC	2.01	35 bps
4	CHEVRON CORP	2.52	28 bps
5	NUTRIEN LTD	1.84	28 bps
6	EXXON MOBIL CORP	2.36	27 bps
7	REGAL BELOIT CORP	2.21	25 bps
8	PRAXAIR INC	2.36	23 bps
9	MICROSOFT CORP	2.35	19 bps
10	VERIZON COMMUNICATIONS INC	2.52	16 bps

	Top 10 Detractors	Average % Weight	Contribution
1	BORGWARNER INC	2.38	-32 bps
2	3M CO	2.11	-23 bps
3	BLACKROCK INC	2.94	-22 bps
4	PNC FINANCIAL SERVICES GROUP	1.65	-17 bps
5	BERKSHIRE HATHAWAY INC-CL B	2.23	-15 bps
6	FEDEX CORP	2.61	-13 bps
7	JOHNSON & JOHNSON	2.22	-11 bps
8	THE HERSHEY CO	1.50	-9 bps
9	MCKESSON CORP	1.76	-9 bps
10	TORCHMARK CORP	2.77	-8 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 18.9% in the quarter. Once again, Encompass Health reported stronger than expected earnings and provided future guidance above both prior guidance and Wall Street estimates. The top line grew 9% year over year, and earnings per share were up 33%. The portfolio continues to hold EHC.

The second highest contributing security in the quarter was EOG Resources (EOG). EOG Resources is an energy exploration and production company with production principally in the United States. The company reported higher than expected first quarter revenue and earnings. EOG is benefitting from higher commodity prices, better production volume and cost reductions. The portfolio continues to hold EOG.

Selected Detractor(s) from Performance

The largest detracting security in the second quarter was BorgWarner (BWA). BorgWarner is a supplier of components and systems for automotive powertrain applications. Despite solid first quarter earnings and guidance, the stock was down -13.9% in the second quarter. The principal driver of the stock's weakness was the developing trade war the current U.S. administration is initiating. Such a negative trade environment would increase the cost of vehicle inputs (such as steel and aluminum) as well as the overall cost of both imported and exported vehicles reducing vehicle sales. Recent strength in the automobile end markets are severely threatened by such political moves. On the other hand, the company is well positioned for the long term with significant market share in hybrid and electric drivetrains as well as ongoing internal combustion engine fuel and emission standards. The portfolio continues to hold BWA.

The second lowest contributing security this quarter was 3M Company (MMM). 3M is a diversified manufacturer and technology company and among the leading companies in nearly all the markets it serves. The company reported 1Q earnings in line with Wall Street estimates, but provided 2Q guidance below their prior guidance. While the business remains strong, input costs (aforementioned metals prices, other commodity inputs) have risen more than product pricing. The company remains one of the highest quality industrial businesses but its leading positions leave it exposed to macroeconomic developments beyond management's control. The portfolio continues to hold the position in MMM even as we have reduced the portfolio exposure to the Industrial sector overall.

Current Positioning

The portfolio's largest overweight sectors relative to the benchmark are Information Technology and Health Care. Financials, primarily in the Banking industry, and Consumer Discretionary are the largest underweighted sectors. During the quarter, weighting was added to Energy, Consumer Staples and REITs. The largest weight reductions were in Industrials, Information Technology and Materials, all areas where we have historically had a significant overweight and have performed well over a period of time. As always, these relative weights are a residual of our bottom up opportunities and not based on a top down macro call on the market or economy.

With current valuations relative to normal earnings hovering near highs and instability related to changes in monetary policy and trade rhetoric, we are currently cautious on risk taking. To this end, we continue to hold cash near our max allocation along with caution in cyclically exposed holdings, vying for higher quality and focusing on stocks with a narrower range of outcomes.

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

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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.