DEAN | Capital Management

Mid 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]
DCM Mid Cap Value (gross)	7.06	4.22	11.20	15.32	11.92	13.37	12.93
DCM Mid Cap Value (net)	6.84	3.57	10.28	14.31	10.91	12.32	11.89
Russell Midcap Value	3.30	3.13	8.81	13.09	10.72	11.29	10.16

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

Performance Summary

The DCM Mid Cap Value composite was up 7.06% (gross of fees) for the quarter ended September 30, 2018, compared with the Russell Midcap Value Index, up 3.30%.

Macro factors were a slight positive for the quarter, driven by our focus on stocks with high returns on capital, a key component of our quality biased process. Outside of high profitability, factors have been primarily negative for our process. The gap between growth and value stocks continues to widen as investors continue to bid up high growth stocks without regard to valuation, assuming the growth will continue indefinitely. While we do not know when this trend will reverse, at some point, growth expectations become unrealistic, and valuations will once again matter. In addition, factors that measure earnings variability have also underperformed. Stocks with a wider range of outcomes continue to outperform those with slower growth and more predictable ranges of earnings. Our process tends to focus on stocks with more predictable growth and earnings streams.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Industrials	16.2%	12.2%	4.0%	14.8%	9.6%	227 bps	102 bps
Energy	5.8%	7.6%	-1.8%	14.5%	1.4%	90 bps	89 bps
Consumer Discretionary	9.8%	9.1%	0.7%	5.6%	0.1%	55 bps	51 bps
Financials	16.0%	18.1%	-2.1%	4.2%	1.4%	69 bps	49 bps
Materials	6.3%	6.2%	0.0%	4.8%	-1.0%	32 bps	39 bps
Real Estate	8.0%	13.0%	-5.0%	2.4%	0.6%	20 bps	29 bps
Information Technology	8.1%	8.9%	-0.8%	12.5%	7.8%	92 bps	29 bps
Consumer Staples	7.4%	5.0%	2.4%	4.4%	-0.4%	34 bps	25 bps
Utilities	9.5%	10.0%	-0.5%	3.5%	3.1%	35 bps	4 bps
Health Care	7.0%	6.6%	0.4%	6.9%	9.2%	49 bps	-13 bps
Communication Services	1.6%	3.2%	-1.5%	-1.5%	5.9%	-3 bps	-17 bps

(see disclosures)

The best performing sector relative to the benchmark was Industrials. The Strategy benefitted from being overweight the sector as well as positive stock selection. In the second quarter, the sector was negatively impacted as concerns related to trade tariffs mounted. In the third quarter, the United States, Canada, and Mexico came to an agreement for a revised trade deal to replace NAFTA, providing the sector relief on trade concerns. The Strategy's holdings benefitted from trade resolution as well as strong Fundamental activity in their given markets, leading the holdings to outperforming the overall sector.

Energy was the second best performing sector in the quarter. The Strategy benefitted from a higher allocation to the Exploration and Production industry as well as positive stock selection. In prior quarters, the Strategy's holdings in the Energy sector have underperformed. The holdings had exposure to the Permian Basin, which was negatively impacted by wide oil price differences between the market and what the companies realized. The wide price differentials occurred because of the rapid growth in the basin's production and not having enough pipeline capacity in the region to get the oil to market. While take-away capacity is still an issue for Permian focused holdings, the market had become overly pessimistic relative to reality. This led to the Strategy's holdings outperforming the sector with Energen (EGN) up 18.3% (Energen also was acquired by Diamondback Energy), Centennial Resource Development (CDEV) up 21.0%, and Concho Resources (CXO) up 10.4%.

The worst performing sector relative to the benchmark was Communication Services. The underperformance was due to both being underweight the sector and stock selection. The Media & Entertainment industry within the sector has benefitted from mergers and acquisition activity with more expected in the future. The Strategy lacks exposure to the broad media industry. The lone holding in the sector, Interpublic Group (IPG), underperformed in the quarter based on concerns of a slowing growth trajectory in the near term.

Health Care was the second worst performing sector in the quarter. The underperformance was due to weak performance in holding Jazz Pharmaceutical (JAZZ), down -2.4% for the quarter. While there are modest concerns related to JAZZ's future growth products and drug pricing issues, the absolute underperformance was minimal but lagged the significant outperformance turned in by several life sciences focused stocks.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	COMFORT SYSTEMS USA INC	1.70	43 bps
2	HUBBELL INC	1.65	40 bps
3	ENERGEN CORP	2.12	37 bps
4	CASEY'S GENERAL STORES INC	1.52	33 bps
5	CENTENNIAL RESOURCE DEVELO-A	1.47	30 bps
6	SYNOPSYS INC	2.08	30 bps
7	ZIMMER BIOMET HOLDINGS INC	1.76	30 bps
8	BEMIS COMPANY	1.79	27 bps
9	ITT INC	1.62	27 bps
10	NORDSTROM INC	1.56	26 bps

	Top 10 Detractors	Average % Weight	Contribution
1	EAST WEST BANCORP INC	1.42	-10 bps
2	APTIV PLC	1.57	-9 bps
3	CONAGRA BRANDS INC	1.63	-7 bps
4	INGREDION INC	1.35	-7 bps
5	EASTMAN CHEMICAL CO	1.52	-6 bps
6	THE JM SMUCKER CO	1.41	-6 bps
7	SENSIENT TECHNOLOGIES CORP	0.65	-6 bps
8	CARTER'S INC	0.88	-4 bps
9	FMC CORP	0.66	-4 bps
10	JAZZ PHARMACEUTICALS PLC	1.74	-4 bps

Selected Contributor(s) to Performance

Comfort Systems (FIX), up 23.4%, was the largest contributing stock in the quarter. The company sells and services commercial HVAC systems for large buildings such as apartments, schools, retail centers, office buildings, manufacturing facilities, and hotels. Comfort Systems also designs automation control systems that integrate and monitor HVAC, lighting, and access control systems. After multiple quarters of the company not meeting earnings expectations, Comfort Systems has widely surpassed expectations the past two quarters. The company continues to see strong organic revenue on the back of healthy macro trends in commercial construction. The book-to-bill ratio, a measure of backlog strength, continues to improve providing some visibility into 2019 growth. The company continues to see improved gross margins due to strong execution and cost controls. The Portfolio continues to hold the stock.

The second largest contributing stock was Hubbell (HUBB), up 27.1% in the quarter. Hubbell is an electrical products manufacturer for the commercial, industrial, utility, and telecommunications markets. Products include wiring, connectors, lighting fixtures and controls, and power distribution, transmission, and substation components. Hubbell's stock has lagged due to acquisition costs related to several bolt-on acquisitions in the 2016-2018 time period and cost inflation as copper and other metals prices have increased. At a time with poor market sentiment, Hubbell posted a solid quarter with organic top line growth exceeding expectations and margins exceeding expectations on modest pricing power and cost control, leading to significant performance in the quarter. The Portfolio continues to hold the stock.

Selected Detractor(s) from Performance

The largest detractor to absolute performance was East West Bancorp (EWBC), down -7.1%. The bank is based in California with operations in Los Angeles, Orange, San Francisco, and Santa Clara counties. East West Bancorp is a commercial bank focusing on financing international trade between the American-Asian community as well as commercial, construction, and real-estate lending. While East West Bancorp has seen steady loan growth, the company's net interest margin forecast was below expectations due to a flattening of the yield curve, a narrowing between short term rates and long-term rates. In addition, the bank has underperformed most banks due to its reliance on American-Asian trade, which has created uncertainty as the United States and China battle over trade policy. The Portfolio continues to hold East West Bancorp.

Aptiv (APTV) was the second worst contributing stock, down -8.2% in the quarter. Aptiv is the remaining electronics and safety operations unit of Delphi Automotive, which spun out its powertrain business to form two separate companies. The separation was to allow Aptiv to accelerate its position within the self-driving and connected vehicles market. Current products include connectors, wiring assemblies and harnesses, and hybrid high voltage systems along with passenger safety products. The stock has traded off with other automotive stocks on concerns of slowing sales and rising auto inventories.

Current Opportunities

The Strategy's largest overweight sectors relative to the benchmark are in the Industrials and Consumer Staples sectors. The largest underweight sectors relative to the benchmark are in the Financials and Real Estate sectors. Throughout the quarter, the most weight was added to Information Technology and Energy while reducing the most weight from the Consumer Discretionary sector and reducing cash. The Energy weight was added mid-quarter as oil prices declined only to rebound by quarter end. After selling outperformed Information Technology names in the second quarter, weight was added back to the sector in several software focused stocks. 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.

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: 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: 2.5%.

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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.