Performance Comparison[1]

Periods Ended 12/31/18 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Small Cap Value (gross)	-14.31	-12.35	-12.35	6.67	4.29	13.68	9.62
DCM Small Cap Value (net)	-14.50	-13.09	-13.09	5.70	3.27	12.52	8.49
Russell 2000 Value	-18.67	-12.86	-12.86	7.37	3.61	10.40	7.42

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

Performance Summary

The DCM Small Cap Value Strategy returned -14.31% (gross of fees) compared with -18.67% for the Russell 2000 Value Index for the quarter ending December 31, 2018.

Volatility returned with a vengeance this quarter as concerns about slowing global economic growth and tightening financial conditions reduced investors' risk appetite. This came at a time of historically high valuation multiples, and when combined, these two conditions triggered a sharp selloff in small cap stocks. Macro factors were a tailwind this quarter as the portfolio benefited from our process, which emphasizes high-quality. Higher quality stocks held up much better in the downturn relative to lower quality stocks. For example, stocks that exhibit low volatility, low financial leverage, and high returns on capital all held up relatively well this quarter. Finding companies with solid balance sheets (low financial leverage), and high returns on capital, coupled with low valuations relative to normalized earnings power, are the key tenets of our process that we have discussed many times in the past. Below we will discuss the portfolio benefiting from its exposure to low volatility stocks this quarter as well as our thoughts on volatility, risk, and how we incorporate risk into portfolio construction.

We felt it was important to make clear our definition of risk given that risk awareness swiftly came back to the market this quarter. We also wanted to avoid confusion as we discuss benefiting from our exposure to low volatility stocks as we do not necessarily view volatility as risk. Another point of clarification before we begin: in the discussion below, when we refer to "risk appetites being high" in the market, we are meaning that investors are embracing wide range of outcome investments, and conversely, when we refer to "risk appetites being low" in the market, we are meaning that investors are flocking to narrow range of outcome investments.

Instead of defining risk as volatility, as many investors define it, we define risk as the range of possible outcomes around an investment's potential total return. We believe that the wider the range of possible outcomes, the more uncertainty there is around an investment's potential total return, and it is this uncertainty that leads to real risk, i.e. the risk that what we expected to happen, does not, in fact, happen. Investments with a wide range of outcomes have both substantial upside potential as well as substantial downside potential (extreme examples: venture capital investments, one drug biotech stocks, or highly levered companies on the verge of bankruptcy). Inversely, the narrower the range of outcomes, the less uncertainty there is around an investment's potential total return, and thus, we believe, less risk (i.e. short duration Treasury bonds or utility stocks). Therefore, in small cap stocks, we view risk as the range of possible values around our estimate of a stock's normalized fair value, or private market value. This range attempts to incorporate the volatility of earnings of a company as well as the amount of operating and financial leverage a company has that might amplify the effect of earnings volatility on the fair value estimate.

To us, risk is not merely looking backward at realized past stock price volatility, which only demonstrates how the market has historically perceived the changes in value of an investment; instead, we feel that risk should be looking forward at the full range of possible outcomes for the investment. The market's perception of value may or may not reflect reality, and this is what provides the opportunity for a value investor who has properly assessed the valuation of a company. For an example of how market prices can deviate from reality, one can compare stock price volatility to the volatility of the underlying company's assets. When viewed this way, one can see that small cap stock prices fluctuate at approximately twice the rate that small cap companies' assets fluctuate, which implies that the realized price volatility of a public stock is often much higher than the volatility of its estimated private market value. Consequently, relying on the market to properly assess risk by considering stock price volatility as a definition for risk, does not make a lot of sense to us when market price fluctuations differ so dramatically from the fluctuations of the underlying assets. Rather than seeing this disconnect as risk, we see it as a potential for the mispricing of individual stocks in the market, which represents opportunity for an active manager.

This disconnect between stock price volatility and underlying asset volatility is why we focus on the range of possible outcomes as our definition for risk rather than volatility. We try to understand, on an individual company level, issues that might cause the range of possible outcomes to widen, which will increase the amount of uncertainty and risk. Some examples of conditions that can lead to wider range of outcomes for companies would be: high growth rates, high financial leverage, high operating leverage, high cyclicality, and/or a changing competitive environment. While this is not an exhaustive list, some companies can have a number of these conditions at once, which widens the possible range of outcomes even further as ingredients of uncertainty stack up on each other and multiply the amount of total uncertainty. We try to incorporate these types of conditions that can lead to more uncertainty surrounding our estimate of normalized earnings power into our assessment of the range of outcomes of a stock. That is how we try to be forward looking with our definition of risk, rather than backward looking at price volatility.

Now that we have described how we view risk, we can discuss how this framework helps shape the construction of the portfolio. Many investors determine portfolio position sizes by placing their largest weights in those stocks with the greatest total return potential. However, stocks with the most upside potential often have the widest range of possible outcomes as well, which indicates those stocks could also present the most risk-- when viewing risk in terms of being a range of possible outcomes. As a result, rather than basing portfolio position sizes solely on the potential upside of a stock, our process sizes positions based on both a stock's potential upside as well as its possible range of outcomes. We place higher maximum position sizes in stocks with narrow range of outcomes and smaller maximum position sizes in stocks with wider range of outcomes. This helps to ensure that the bulk of the portfolio's larger weights are in stocks where we have a higher degree of confidence in our estimate of normalized earnings power.

In adrenaline-fueled market environments, where risk appetites are high (the type of market environment since late 2016… until this quarter), investors tend to bid up wide range of outcome stocks as they often only focus on the "reward" side of the risk/reward equation. In these types of market environments, where risk appetites are high, our process tends to place even greater emphasis on narrow range of outcome stocks as they become neglected, and thus, are trading at attractive valuations relative to the risk being taken. Narrow range of outcome stocks are not as exciting, and do not have as much upside potential as something like a high-flying technology or biotech stock. Instead, they provide stable/predictable earnings streams that one can have a high degree of confidence in valuing because there is a high degree of assuredness that the level of actual future earnings will be somewhat close to the estimated level. These types of stocks often have lower growth rates, but importantly, the growth rate is more assured than a company that has the possibility of growing at a much faster rate. This "assuredness" of both the earnings level, and the growth rate, tends to get heavily discounted in adrenaline fueled markets; however, it tends to garner a sizeable premium when risk appetites disappear and investors flee risk, such as in this quarter.

As a result of investor risk appetites being high coming into this quarter, we were positioning the portfolio contra to the prevailing market by favoring narrow range of outcome types of stocks as we felt they were attractively valued relative to the embedded risk. This positioning was something we discussed in our past quarterly commentaries as we mentioned emphasizing stocks with predictable and stable earnings streams that had good balance sheets. The portfolio significantly benefited from this positioning as investors fled risk this quarter.

Importantly, we do not always favor narrow range of outcome stocks. Just like anything else in the stock market, "assuredness" becomes overvalued at times. Since the founding of Dean Capital Management in March 2008, there have been extreme periods such as late 2008 to early 2009, September 2011, or February 2016, where in the small cap stock universe, "assuredness" became greatly overvalued. As we have written in the past, we "take what the market gives us." As such, we are not always positioned heavily in low volatility stocks. Insofar as the market's risk appetite is high, we usually lean the other way with our risk appetite being low as we typically are not getting compensated to take risk when the market is fully embracing risk as valuations are normally too high relative to the possible range of outcomes. And vice versa, when the market's risk appetite is low, we usually lean the other way and embrace risk as we normally are getting compensated to take risk in that situation through low valuations relative to the range of possible outcomes. Thus, our risk appetite is dynamic and based on where, and how much, we are getting compensated to take risk in the market.

While our risk appetite is dynamic and contrarian to that of the prevailing market, one thing that does not change is our process for portfolio position sizing. We always size positions relative to the expected range of outcomes of a stock, where we place larger maximum weights in narrow range of outcome stocks and smaller maximum weights in wider range of outcome stocks. This position sizing is an important risk management tool that helps protect against the degree of uncertainty that is inherent when estimating normalized earnings power of various types of companies. With the ever-present volatility in the small cap market, both wide range and narrow range of outcome stocks can become greatly overvalued or undervalued, and we try to take advantage of those situations through our disciplined framework for analyzing small cap stocks. This quarter, the portfolio benefited significantly from its prepositioning in low volatility stocks, but as we have hopefully made clear, this type of positioning in low volatility stocks is not necessarily permanent; instead, we will opportunistically go to areas in the small cap universe where the prospects for risk compensation present themselves.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Consumer Staples	9.4%	2.6%	6.8%	-3.4%	-14.2%	-32 bps	123 bps
Materials	7.1%	4.2%	2.9%	-11.1%	-27.3%	-64 bps	100 bps
Energy	3.1%	6.7%	-3.6%	-44.3%	-41.2%	-171 bps	78 bps
Health Care	3.2%	4.7%	-1.5%	-11.6%	-29.5%	-38 bps	71 bps
Utilities	7.1%	6.7%	0.4%	2.7%	-2.3%	40 bps	54 bps
Real Estate	7.0%	11.7%	-4.7%	-6.7%	-14.7%	-45 bps	36 bps
Financials	27.5%	28.8%	-1.2%	-14.8%	-15.8%	-401 bps	24 bps
Information Technology	7.4%	10.3%	-2.9%	-11.8%	-14.7%	-89 bps	7 bps
Communication Services	0.0%	3.2%	-3.2%	0.0%	-18.7%	0 bps	0 bps
Industrials	17.0%	11.7%	5.3%	-20.7%	-19.7%	-390 bps	-32 bps
Consumer Discretionary	6.8%	9.4%	-2.7%	-30.8%	-19.0%	-228 bps	-91 bps

(see disclosures)

The best performing sector relative to the benchmark for the quarter was Consumer Staples. The outperformance versus the benchmark was mostly a result of the portfolio's overweight stance as well as from slightly better stock selection. Last quarter we wrote, "The Consumer Staples sector was the worst performing sector in the benchmark this quarter with a -6.9% return versus the overall benchmark's +1.6% return. We took advantage of this relative weakness and added three new Consumer Staples holdings in the quarter." The opportunistic purchases we made in Consumer Staples last quarter benefited the portfolio this quarter as Consumer Staples held up better than the overall market. Nearly all of the portfolio's weight in the sector was housed in the Food Products industry, which was the best performing industry within the Consumer Staples sector with a return of -4.3% versus -14.2% for the overall Consumer Staples sector. The portfolio's Food Products stocks held up even better than the benchmark with a -3.6% return.

The second best performing sector relative to the benchmark for the quarter was Materials. The outperformance versus the benchmark was due to strong stock selection. Most of the portfolio's stocks in the Materials sector have more defensive end markets, where a slowing economy would not impact earnings as much as many of the benchmark's more economically sensitive Materials stocks. For example, the portfolio has a heavy weighting in the Containers & Packaging industry where the end markets are mostly Consumer Staples companies, and this gives the packaging stocks in the portfolio more of a Consumer Staple type of profile. This predictability of the portfolio's companies end markets helped our Materials stocks hold up better than the benchmark's Materials stocks as the selloff took hold.

The worst performing sector relative to the benchmark for the quarter was Consumer Discretionary. The underperformance versus the benchmark stemmed from both being underweight as well as from subpar stock selection. The portfolio was overweight the Auto Components and Automobiles industries at a time when stocks related to the auto cycle were some of the hardest hit stocks in the market as global growth concerns intensified throughout the quarter. While valuations are extremely low in the auto space, investors are currently more focused on the potential for negative estimate revisions rather than low valuations. We tried to take advantage of the wholesale selloff in just about anything auto related by swapping out of existing portfolio positions into new holdings that are higher quality companies, while continuing to maintain exposure to the attractively valued auto related space.

The second worst performing sector relative to the benchmark for the quarter was Industrials. The underperformance versus the benchmark was due to the portfolio's overweight positioning as well as below benchmark stock selection. There were multiple Industrial companies in the portfolio from various industries that reported disappointing earnings, which caused their stock prices to react negatively. Missing earnings estimates in the midst of a global economic growth scare and a market selloff often leads to outsized reactions for individual stocks, and this happened to some of the portfolio's Industrial companies this quarter. For the most part, we maintained our position sizes by purchasing shares on the various individual stock price selloffs in instances where we felt the market might be overreacting.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	TECH DATA CORP	0.91	23 bps
2	PNM RESOURCES	2.20	19 bps
3	ARGO GROUP INTERNATIONAL	1.61	12 bps
4	PS BUSINESS PARK	1.19	11 bps
5	ALAMOS GOLD INC	0.21	10 bps
6	TREEHOUSE FOODS	1.82	9 bps
7	ALLETE INC	0.86	7 bps
8	LANCASTER COLONY	0.25	7 bps
9	NORTHWESTERN CORP	2.48	7 bps
10	PORTLAND GENERAL	1.54	6 bps

	Top 10 Detractors	Average % Weight	Contribution
1	SRC ENERGY INC	1.50	-92 bps
2	ASTEC INDUSTRIES	1.48	-59 bps
3	RPC INC	1.30	-53 bps
4	BIG LOTS INC	1.56	-46 bps
5	FIRST MERCHANTS	1.70	-41 bps
6	KNOLL INC	1.27	-41 bps
7	RENASANT CORP	1.69	-40 bps
8	CENTERSTATE BANK	1.47	-38 bps
9	COOPER-STANDARD	0.67	-38 bps
10	DELUXE CORP	0.61	-38 bps

Selected Contributor(s) to Performance

The largest contributing stock in the quarter was Tech Data (TECD). TECD is the second largest end-to-end IT distributor in the world. It acts as an intermediary in the technology supply chain by bringing products from technology vendors to market and providing customers with logistics capabilities. Its customers include value-added resellers, direct marketers, retailers, and corporate resellers. Nearly half of its product mix is broadline products including notebooks, desktops, and printers; the rest includes data center, software, mobility, and consumer electronics products. After owning TECD for around eight years, we exited the position due to the valuation being stretched in late January 2018, while TECD traded at ~$107/share, near its all-time high. Approximately nine months later, and after missing earnings estimates two quarters in a row, TECD's stock price had fallen -35% versus -7% for the Russell 2000 Value's Technology sector and -4% for the Russell 2000 Value from the day we had sold it. We felt the market was extrapolating TECD's inconsistent quarterly operating performance, while ignoring its more consistent longer-term operating performance. Shortly after we added TECD back to the portfolio, it reported better than expected earnings, which drove the stock price higher. We trimmed the position on the strong outperformance; however, we maintain a small position in TECD.

The second largest contributing stock in the quarter was PNM Resources (PNM). PNM is a regulated electric utility based in New Mexico with service territories in both New Mexico (~2/3 of customers) and Texas (~1/3 of customers). It includes both Albuquerque and Santa Fe, New Mexico as part of its coverage territory. Its end users are ~47% commercial, ~40% residential, and ~11% industrial. PNM received regulatory clarity on its allowed rates in Texas, and this benefited the stock. PNM also benefitted from being part of the defensive Utilities sector, which was the best performing sector in the Russell 2000 Value this quarter. We lowered the weight on the strong outperformance, but continue to maintain a small position in PNM.

Selected Detractor(s) from Performance

The largest detracting stock in the quarter was SRC Energy (SRCI). SRCI focuses on the exploration and production of oil and natural gas in the Wattenberg Field area of the Denver-Julesburg Basin (D-J Basin) in Colorado. Concerns over Proposition 112 in Colorado, which set a minimum number of feet from occupied buildings that new oil and gas development could take place, pressured SRCI's stock as November elections took place. This potential new law would have severely curtailed drilling in SRCI's territory. By a razor thin margin, Proposition 112 ultimately did not pass, which normally would have been good news; however, investors continue to be concerned about future political complications in Colorado for energy companies. The uncertain political environment, combined with weak oil prices in the quarter, led to a decline in SRCI's stock price. We continue to maintain a position in SRCI as we see it as a company with good assets that are undervalued and underearning their normalized potential, but we have sized the position appropriately (smaller maximum weighting) given the wide range of possible outcomes.

The second largest detracting stock in the quarter was Astec Industries (ASTE). ASTE manufactures equipment and components used primarily in road building and related construction activities. Its products are used in each phase of road building, from quarrying and crushing the aggregate to application of the road surface. ASTE reported disappointing earnings and backlog as its operating environment continued to deteriorate with its customers starting to delay new orders because the FAST Act highway bill is set to expire in September 2020, with no replacement bill yet passed. ASTE's earnings power is reliant upon the passage of highway bills to provide funding for its equipment. The stock sold off sharply on what was another earnings miss from ASTE. ASTE has solid assets, a good balance sheet, and can earn good returns on capital over a full cycle, but its earnings are lumpy, and it is currently in the down part of its profit cycle. We feel it is underearning its normalized full cycle earnings power, and we maintain a position in ASTE.

Current Positioning

The portfolio'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 Real Estate and Utilities sectors. Throughout the quarter, we added the most weight to the Materials and Industrials sectors, while reducing the most weight in the Utilities and Technology sectors. We also added to the Banking industry (see below). 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.

We took advantage of the relative outperformance in Utilities and the Commercial Real Estate Mortgage REIT's (CRE mREIT's) that the portfolio owned by substantially reducing the weight in those two areas this quarter. Falling 10-year Treasury yields and a stock market selloff led investors to seek safety in Utilities. The portfolio was overweight Utilities coming into the quarter, so we accommodated the market's appetite for safety by selling our overweight in Utilities to an underweight. CRE mREIT's benefit from a rising LIBOR rate, and with the Federal Reserve potentially slowing, if not altogether halting, the pace of interest rate increases, combined with the potential for credit quality to deteriorate as a flood of capital has rushed into the commercial real estate lending space, we felt the sweet spot of the earnings cycle for CRE mREIT's (rising LIBOR coupled with benign credit) was getting long in the tooth. We maintain a small exposure to one CRE mREIT, which is down from previously owning three, and we substantially reduced the outsized position we had in the portfolio after realizing good total returns.

Much of the portfolio weight sold from Utilities and CRE mREIT's went into regional banks as we materially added weight given the weak performance of banks in the quarter. The portfolio had a large weighting in banks heading into the 2016 presidential election, and after many of the banks surged anywhere from 20-40% in a matter of weeks after the election, we substantially reduced the portfolio's bank weighting in late 2016 and early 2017. We continued with a relatively low weighting in banks until they started to materially weaken this quarter.

We remain focused on the fundamentals of the companies we own, and the price we are paying for those fundamentals. We are confident that a steadfast application of our proven and disciplined process should produce favorable results over time.

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 Small Cap Value style uses value oriented equities, the majority of which have a market capitalization of less than $3.5 billion at purchase. The strategy is typically invested 90%-100% in equity positions, and the number of holdings typically ranges between 50 and 80. The remainder of the portfolios is typically invested in short term U.S. Treasury Bills or other cash equivalents.

Future performance based on prior results should not be assumed. The Russell 2000 Index measures performance of the small-cap segment of the market and includes approximately 2000 securities based on a combination of their market cap and current index membership. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. The Russell 1000 and Russell 2000 Indexes are subsets of the Russell 3000 Index.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The stocks in the Russell 3000 Value Index are also members of either the Russell 1000 Value or the Russell 2000 Value indexes. 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: 29.5% 2009: 29.1% 2010: 4.1% 2011: 1.9% 2012: 1.1% 2013: 0.7% 2014: 0.7% 2015: 0.5% 2016: 0.4% 2017: 0.3% 2018: 0.3%.*

**A performance examination has been performed on performance results through 9/30/18. A firm-wide verification was performed for the periods 1/1/93 through 9/30/18. Subsequent data represents preliminary performance results.*

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.