DEAN Capital Management

Mid Cap Value Commentary

Second Quarter 2019

Performance Comparison[1]

Periods Ended 6/30/19 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Mid Cap Value (gross)	4.26	17.64	8.70	10.57	8.89	14.88	12.16
DCM Mid Cap Value (net)	4.04	17.16	7.79	9.64	7.92	13.83	11.12
Russell Midcap Value	3.19	18.02	3.68	8.95	6.72	14.56	9.47

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

Performance Summary

The DCM Mid Cap Value composite was up 4.26% (gross of fees) for the quarter ended June 30, 2019, compared with the Russell Midcap Value Index, up 3.19%.

Macro factors were positive for the quarter, driven by owning stocks with lower volatility than the benchmark. Once again, growth stocks outperformed value stocks. The portfolio currently has slightly less exposure to the value style characteristic than the Russell Midcap Value benchmark, which was beneficial to the strategy. As stocks with large capitalizations have outperformed over the past few years, smaller capitalization stocks have become more attractive on valuation, leading to our average capitalization skewing smaller than the benchmark. With large capitalization stocks outperforming small this quarter, the size factor was the largest negative style factor.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Energy	5.1%	5.7%	-0.6%	1.2%	-8.2%	-5 bps	52 bps
Health Care	7.8%	6.9%	0.9%	6.6%	3.0%	52 bps	32 bps
Financials	18.9%	17.8%	1.1%	8.9%	7.5%	161 bps	30 bps
Industrials	15.7%	12.4%	3.3%	9.1%	8.3%	138 bps	28 bps
Consumer Discretionary	6.4%	8.6%	-2.2%	2.0%	-0.6%	17 bps	27 bps
Real Estate	7.9%	14.3%	-6.4%	0.6%	0.2%	5 bps	22 bps
Materials	6.6%	5.9%	0.7%	3.3%	2.8%	23 bps	3 bps
Utilities	9.5%	11.4%	-1.9%	3.3%	3.5%	31 bps	-3 bps
Consumer Staples	7.6%	4.9%	2.7%	-1.5%	-1.5%	-18 bps	-21 bps
Communication Services	2.9%	3.2%	-0.3%	0.1%	7.8%	-4 bps	-23 bps
Information Technology	8.5%	8.9%	-0.4%	3.5%	5.5%	23 bps	-23 bps

(see disclosures)

The best performing sector relative to the benchmark was Energy. The outperformance was driven by stock selection. Diamondback Energy (FANG) is an exploration and production company with its primary assets in the Permian Basin. Management initiated a $2B stock buyback, sold $320M of assets, and reduced forward capital spending guidance due to realized cost reductions. The company expects to generate significant cash flow, returning a portion to shareholders via the buyback. TechnipFMC, a provider of subsea, surface, onshore, and offshore solutions for oil and gas projects, continues to book new contract wins at a higher than expected clip, driving the stock higher.

Health Care was the second-best performing sector. The outperformance was driven by both being overweight an outperforming sector and stock selection. Catalent (CTLT) was the primary driver of stock performance, up 33.6% and was the top contributing stock this quarter. Catalent is discussed in more detail below.

The worst performing sector relative to the benchmark was Information Technology. Allocation was neutral as our slight underweight had little impact on performance. Underperformance was driven by positions in KLA Corp (KLAC) and NetApp (NTAP). KLA reported a solid quarter but reduced forward expectations due to uncertainty in memory pricing and concern of lower foundry spending in the second half of 2019.

Communication Services was the second worst performing sector. The underperformance was driven by movie chain company Cinemark, down -10.9% in the quarter. The stock traded down late in the quarter after several highly anticipated franchise sequels generated lackluster traffic at the box office.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	CATALENT INC	1.39	44 bps
2	KAR AUCTION SERVICES	1.68	39 bps
3	CASEY'S GENERAL STORES	1.48	30 bps
4	WR BERKLEY CORP	1.72	29 bps
5	AMDOCS LTD	1.50	22 bps
6	INTL FLAVORS & FRAGRANCES INC	1.69	22 bps
7	ITT INC	1.69	22 bps
8	AMERIPRISE FINANCIAL	1.66	21 bps
9	BROWN & BROWN INC	1.56	20 bps
10	HANOVER INSURANCE	1.62	20 bps

	Top 10 Detractors	Average % Weight	Contribution
1	INGREDION INC	0.80	-20 bps
2	NETAPP INC	1.50	-18 bps
3	CINEMARK HOLDINGS	1.31	-17 bps
4	CONCHO RESOURCES	0.92	-16 bps
5	CENTRAL GARDEN & PET CO	0.54	-14 bps
6	NOBLE ENERGY INC	1.46	-14 bps
7	ZIMMER BIOMET HOLDINGS	1.72	-14 bps
8	SEALED AIR CORP	1.67	-12 bps
9	GENUINE PARTS CO	1.71	-10 bps
10	LAMB WESTON	0.64	-10 bps

Selected Contributor(s) to Performance

Catalent (CTLT), up 33.6%, was the best contributing stock in the quarter. Catalent is one of the largest global contract development and manufacturing organizations for pharmaceuticals focusing on delivery technologies and development solutions. The company is the top outsourced competitor in many of the sub-markets in which it participates, most notably softgels. Catalent also has a rapidly expanding biologics business aided by the acquisition of Cook Pharmica in 2017. During the quarter, the company made an additional acquisition in the biologics business purchasing Paragon Bioservices for $1.2B. With the purchase, the company raised their long-term growth guidance. In addition to the raised growth expectations, the headwind related to the supply disruption in ibuprofen softgels appears to be abating, setting the core Catalent business up for an improved second half of 2019. The portfolio continues to hold Catalent.

KAR Auction Services (KAR), up 29.6% in the quarter, was the second-best contributing stock. KAR is a leading provider of both wholecar and salvage vehicle auction services. Adesa, the wholecar auction business, is the second largest provider of used vehicle auction services in North America. The salvage auction business, IAA, is the second largest salvage auction provider in North America. A smaller unit, AFC, provides inventory financing to Adesa and IAA buyers. In February, the company provided lower 2019 guidance as investment in TradRev (a new online wholesale business) would weigh on profitability until 2021 and raised concern the spin-off of IAA into a separate entity may not occur, leading to a 14% decline in the stock. The strategy initiated a position post the stock's decline. Since our initiation, the company has continued to see strong volumes and profitability in both segments and completed the spin-off of IAA into a separate stock on 6/28/19. After the spin-off, the portfolio continues to hold both KAR and IAA.

Selected Detractor(s) from Performance

Ingredion (INGR) was our worst contributing stock, down -13.4% for the period held. The company refines corn to produce sweeteners and starches used in food, soft drinks, brewing, pharmaceuticals, and many additional industries. Starches account for 45% of revenue, sweeteners 40% and co-products approximately 15%. North America accounts for 60% of revenue, with South America 20%, and Asia and EMEA the remaining. Ingredion has faced a tough operating environment for the past year with rising costs, negative currency impacts, and weak pricing for products. The company's core business of high fructose corn syrup faces a structural headwind of lower consumption, albeit a slow decline. The company had been going away from this business via other specialty food products. However, the company continues to see declining profitability even after implementing cost-cutting programs to right size the business. With rising uncertainty to the level of normal earnings power and the timing to which the business can be fixed, the portfolio exited the position in the quarter.

NetApp (NTAP), down -10.5%, was the second worst contributing stock in the quarter. NetApp is an enterprise storage hardware provider that sells storage and cloud data management software to the enterprise data center market. The company's legacy hardware business is primarily comprised of disk-based storage. With the advent of cloud storage, the key growth segments are in flash arrays. During the quarter, the company missed expectations for both revenues and earnings. Overall industry sales have slowed amid a slump in enterprise hardware demand. With the decline in demand, pricing competition has accelerated to the downside, negatively impacting margins. The portfolio continues to hold the stock.

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 Consumer Discretionary sectors. Throughout the quarter, the most weight was added in Health Care, while the largest reduction in weight came from Consumer Discretionary and Information Technology.

With the outperformance of large capitalization stocks as well as growth stocks, the valuation gap relative to small capitalization stocks and value stocks is near historical peaks on several measures. Thus, we are currently finding the best risk vs. reward in smaller capitalization stocks with lower valuations and continue to adjust the portfolio to smaller and more value relative to our benchmark.

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, and the number of holdings typically ranges between 40 and 60. 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 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: 4.2% 2016: 3.6% 2017: 3.1% 2018: 2.7% 2019: 1.4%.*

**A performance examination has been performed on performance results through 12/31/18. A firm-wide verification was performed for the periods 1/1/93 through 12/31/18. Data subsequent to 3/31/19 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.