

## Performance Comparison<sup>1</sup>

| Periods Ended 6/30/19 (%)    | QTR  | YTD   | 1 Yr | 3 Yr  | 5 Yr | 10 Yr | S. I. <sup>1</sup> |
|------------------------------|------|-------|------|-------|------|-------|--------------------|
| Dean Multi-Cap Value (gross) | 3.27 | 14.08 | 7.64 | 11.29 | 8.32 | 13.09 | 10.26              |
| Dean Multi-Cap Value (net)   | 3.11 | 13.74 | 7.00 | 10.59 | 7.55 | 12.21 | 9.40               |
| Russell 3000 Value           | 3.68 | 16.05 | 7.34 | 10.19 | 7.31 | 13.14 | 8.48               |

Periods greater than 1 year are annualized  
<sup>1</sup>DCM inception was June 30, 2008

## Performance Summary

The DCM Multi-Cap Value composite gross total return was 3.27% in the second quarter of 2019, compared with the Russell 3000 Value Index return of 3.68%.

Macro style factors were slightly positive for the quarter. The portfolio was overweight stocks with low volatility relative to the benchmark, and low volatility performed well in the quarter. Partially offsetting the benefit of low volatility were the portfolio's smaller weighted market capitalization and underweight to stocks with momentum relative to the benchmark. Stocks with larger capitalization and price momentum outperformed the benchmark in the quarter.

## Sector Drivers

| GICS Sectors           | Average Weight |       |        | Stock Level Returns |       | Portfolio Impact |             |
|------------------------|----------------|-------|--------|---------------------|-------|------------------|-------------|
|                        | Port           | Bench | Active | Port                | Bench | Contribution     | Attribution |
| Consumer Staples       | 8.4%           | 7.5%  | 0.9%   | 6.9%                | 2.3%  | 58 bps           | 38 bps      |
| Energy                 | 9.5%           | 9.0%  | 0.5%   | -0.1%               | -3.9% | -1 bps           | 34 bps      |
| Health Care            | 13.7%          | 14.1% | -0.4%  | 4.2%                | 2.7%  | 59 bps           | 27 bps      |
| Materials              | 4.6%           | 4.0%  | 0.6%   | 9.4%                | 3.8%  | 43 bps           | 25 bps      |
| Communication Services | 4.6%           | 6.8%  | -2.2%  | 9.7%                | 6.0%  | 49 bps           | 16 bps      |
| Utilities              | 6.5%           | 6.5%  | 0.0%   | 4.7%                | 3.6%  | 31 bps           | 8 bps       |
| Real Estate            | 3.2%           | 5.6%  | -2.4%  | 0.9%                | 1.1%  | 3 bps            | 6 bps       |
| Consumer Discretionary | 5.3%           | 5.6%  | -0.3%  | 3.0%                | 2.6%  | 16 bps           | 2 bps       |
| Financials             | 22.4%          | 22.9% | -0.6%  | 7.0%                | 7.5%  | 152 bps          | -11 bps     |
| Information Technology | 10.5%          | 10.0% | 0.5%   | -2.4%               | 3.1%  | -24 bps          | -60 bps     |
| Industrials            | 7.9%           | 8.1%  | -0.2%  | -6.7%               | 6.6%  | -57 bps          | -111 bps    |

(see disclosures)

The best performing sector relative to the benchmark in the second quarter was Consumer Staples. The outperformance was driven by stock selection. Holdings Hershey Company (HSY) and Pepsico (PEP) both outperformed the benchmark and Consumer Staples sector. Hershey is discussed in more detail in the top securities section. After lowering expectations in 2018 for rising costs and loss of market share, Pepsico exceeded the lower expectations in the quarter. The company's increased focus on improving market share led to better volumes and sales growth exceeding 4%. Gross margins also exceeded expectations leading to increased optimism in the shares.

Energy was the second-best performing sector relative to the benchmark. The stocks owned by the portfolio held up better than the overall benchmark sector, leading to relative outperformance. The Energy sector was negatively impacted by a surprise build in crude inventories. Stocks with high leverage to oil prices were negatively impacted as the price of the commodity dropped on the news. The portfolio's energy exposure is focused in pipeline transportation company Kinder Morgan (KMI), exploration and production company EOG Resources (EOG), and integrated oil and refining companies Chevron (CVX) and Exxon Mobile (XOM). The stocks typically have less oil price leverage and tend to be relatively defensive in times of declining commodity prices, as was the case this quarter.

The worst performing sector relative to the benchmark was Industrials. The underperformance was driven by stock selection with all four of the portfolio's industrial holdings materially underperforming the sector and benchmark. The

primary detractor of performance in the sector was 3M (MMM), which is discussed in more detail in the securities section. FedEx (FDX), down -9.1%, was also a meaningful detractor from performance. The company faced macro issues with a weakening global economy as well as poor execution in its Express business. FedEx is also faced with structural concerns related to the parcel industry as Amazon continues to develop capabilities. Electronic motor and control manufacturer Regal Beloit (RBC) and electrical equipment maker Emerson (EMR) also were impacted by economic headwinds in their businesses.

Information Technology was the second worst performing sector. The underperformance in Information Technology was also driven by inferior stock selection relative to the sector. Cognizant Tech Solutions (CTSH), a provider of technology consulting and services, reported a weak first quarter and cut forward expectations as margins contracted meaningfully. The company has seen moderating growth from the financial services industry. F5 Networks (FFIV), down -7.2%, is a maker of communications equipment that helps manage network and internet traffic. The outlook for spending on F5 products has weakened, causing the company to reduce forward expectations. In addition, competitor VMware acquired Avi, which will create an increased competitive threat for F5's growing application delivery controller business.

### Top 10 Contributors/Detractors

| Top 10 Contributors |                | Average % Weight | Contribution |
|---------------------|----------------|------------------|--------------|
| 1                   | WALT DISNEY CO | 1.77             | 56 bps       |
| 2                   | THE HERSHEY CO | 2.41             | 39 bps       |
| 3                   | LINDE PLC      | 2.71             | 39 bps       |
| 4                   | MICROSOFT CORP | 1.93             | 33 bps       |
| 5                   | MCKESSON CORP  | 1.90             | 27 bps       |
| 6                   | KEYCORP        | 2.02             | 26 bps       |
| 7                   | AFLAC INC      | 2.36             | 24 bps       |
| 8                   | BLACKROCK INC  | 2.38             | 24 bps       |
| 9                   | TORCHMARK CORP | 2.70             | 24 bps       |
| 10                  | US BANCORP     | 2.19             | 20 bps       |

| Top 10 Detractors |                        | Average % Weight | Contribution |
|-------------------|------------------------|------------------|--------------|
| 1                 | 3M CO                  | 1.81             | -33 bps      |
| 2                 | COGNIZANT TECH A       | 1.92             | -28 bps      |
| 3                 | BANK NY MELLON         | 1.89             | -25 bps      |
| 4                 | FEDEX CORP             | 2.18             | -21 bps      |
| 5                 | F5 NETWORKS            | 2.00             | -17 bps      |
| 6                 | INTEL CORP             | 1.31             | -15 bps      |
| 7                 | EXXON MOBIL CORP       | 2.74             | -12 bps      |
| 8                 | LKQ CORP               | 1.94             | -12 bps      |
| 9                 | CLOROX CO              | 2.02             | -8 bps       |
| 10                | VERIZON COMMUNICATIONS | 2.85             | -7 bps       |

### Selected Contributor(s) to Performance

The best security for the Multi-Cap Value portfolio this quarter was Walt Disney Co (DIS). Disney is the world's largest entertainment company with a very wide breadth of product categories from movie studios to theme parks to consumer products and more. The stock was up 25.8% in the second quarter due to a combination of factors. The company reported first quarter earnings that were ahead of Wall Street estimates due to strength in the Studio Entertainment and Parks, Experiences, and Consumer Products segments. Investors had a favorable reaction to the announcement of a new streaming platform called Disney+. Investors were further pleased with the purchase of Twenty First Century Fox assets, including extensive intellectual property that ties in well with existing Marvel assets. The portfolio continues to hold this high-quality name as the firm's financial achievements are keeping up with the strong stock appreciation.

The second best security for the portfolio was The Hershey Company (HSY), up 17.0% in the quarter. There were two key drivers of Hershey's strong performance. First, the company reported first quarter earnings ahead of Wall Street estimates, and perhaps more importantly, provided full year earnings guidance that was above current street estimates. Secondly, key competitor Mars Inc (privately held) announced a 9-9.5% price increase while also announcing it is following Hershey's previously announced lead to raise seasonal chocolate prices for this upcoming Halloween season. Such pricing power is instrumental to the high-quality thesis we have for our stock investment, and we continue to hold the HSY position.

### **Selected Detractor(s) from Performance**

The portfolio's worst security in the second quarter was 3M Corp (MMM). The stock was down -15.9% due to missed earnings and lowered guidance for 2019. Management explained that they were facing slowing conditions in key end markets impacting organic growth and margins. Additionally, MMM is involved in litigation related to Per- and polyfluoroalkyl substances (PFAS), a group of man-made chemicals that have been in use since the 1940s. The company established a reserve of \$325M to resolve certain environmental litigation related to their historical production and disposal of PFAS-containing materials. There is fear this reserve may be too low. Despite these unfortunate changes, we feel the market may have overreacted. We see longer term value in MMM and continue to hold the stock.

The second worst security in the quarter was Cognizant Technology (CTSH), down -12.0%. CTSH is an IT service company providing consulting, application outsourcing, and systems integration services. The company missed first quarter Wall Street estimates and guided 2019 earnings well below prior street estimates. Management explained first quarter underperformance and lowered expectations resulted from slower growth in Financial Services and Healthcare. CTSH is also under a new CEO leadership team, and new strategies, culture, and management changes are expected and are weighing on results and the stock price. The portfolio continues to hold CTSH as the market reaction appears overdone, and the stock represents a long-term opportunity for patient investors.

### **Current Positioning**

The portfolio's largest overweight sectors relative to the benchmark are Information Technology and Health Care. The largest underweight sectors relative to the benchmark are in the Real Estate and Communication Services sectors. Throughout the quarter, the most weight was added in Health Care, while reducing the most weight from Communication Services 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.

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## 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, 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 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](http://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.*

*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.