Performance Comparison[1]

Periods Ended 9/30/20 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Small Cap Value (gross)	3.03	-20.82	-14.66	-4.72	3.71	8.05	7.91
DCM Small Cap Value (net)	2.82	-21.33	-15.39	-5.52	2.78	6.99	6.84
Russell 2000 Value	2.56	-21.54	-14.88	-5.13	4.11	7.09	5.98

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

Performance Summary

The DCM Small Cap Value ("DCM SCV") Strategy returned 3.03% (gross of fees) compared with 2.56% for the Russell 2000 Value Index for the quarter ending September 30, 2020.

Macro factors were a net positive for the quarter. Growth stocks once again outperformed value stocks. As a result, the portfolio faced a headwind as it currently has significantly lower valuation metrics versus the benchmark Russell 2000 Value. In addition, in a continuation from last quarter, low quality stocks again showed strength. Thus, the portfolio was hurt by having more profitability and less volatility than the benchmark. However, this was all offset by the portfolio benefitting from having slightly more fundamental growth than the benchmark as well as slightly larger market caps.

According to Bloomberg Risk data, relative to the benchmark Russell 2000 Value Index, the portfolio's largest risk factors at quarter end are listed below. Thus, at this point in time, these factors will likely have the most significant impact on relative performance outside of individual company fundamentals:

1. Value (DCM SCV has lower valuations)
2. Leverage (DCM SCV has lower)
3. Profitability (DCM SCV has higher)
4. Volatility (DCM SCV has lower)
5. Dividend Yield (DCM SCV has higher)

By looking historically, our aim below is to illustrate just how undervalued the Russell 2000 Value currently is relative to the Russell 2000 Growth, using a basket of valuation metrics. It is not just one metric that is reaching an extreme; most of these major valuation metrics are at, or approaching, 25-year extremes. Below are a series of charts showing the Russell 2000 Value ("RUJ") vs the Russell 2000 Growth ("RUO") going back 25 years. Sources are Bloomberg and Russell. (We do not show price to earnings because the volatility of earnings, as well as negative numbers in recessions, cause the chart to be meaningless. In addition, some of the extreme, one off, readings are data error blips in a single quarter and can be ignored.)

Relative Price to Book (in the 1st percentile of relative cheapness):

Relative Price to Sales (in the 2nd percentile of relative cheapness):

Relative Price to Cash Flow (in the 1st percentile of relative cheapness):

Relative Dividend Yield (in the 93rd percentile of relative spread):

Amidst this historical opportunity in relative valuation for small cap value stocks, the questions we receive most often are "what is going to cause this to change?" and "why can't they just stay cheap or get cheaper?" We have been managing money professionally for over two decades, so we have definitely learned 1) to "never say never" and 2) that the market can continue on a trend for much longer than one would imagine. We have also seen that, most of the time, catalysts for major psychological rotations, such as out of growth and into value, can only be recognized in retrospect. For example, in March 2000, it looked just as unlikely as it does today that value could outperform growth on a go-forward basis, however it went on to trounce growth over the next seven years. So, with those caveats out of the way, and with full humility as to our prognostication skills when it comes to the market, below is an outline of potential catalysts for value stocks to start outperforming growth stocks.

Starting in the second quarter of 2021, and for the first time since 2016, small cap value stocks should realize higher relative earnings growth compared to the large cap tech darlings. The tech darlings have been growing at a 15-30% (or higher) annualized clip for the past few years. However, starting in mid-2021, small cap value stocks will be facing easier comps since they had a larger drop in earnings in early 2020 compared to the tech darlings. Meanwhile, the tech darlings will be facing much more difficult comps, as many benefitted from the growth that was pulled forward due to the lockdown and work-from-home environment. This should cause small cap value stocks to show higher relative earnings growth, possibly through early 2023 (this was one of the catalysts in 2002 as the excess capacity that was built in the tech bubble gave way to an economic recovery that changed the relative earnings growth in small cap value's favor). It does not take much of an allocation change from large cap growth into small cap value to materially move the needle in relative performance given the small cap value market's much lower combined market cap versus the large cap growth market's combined market cap. The moves from these types of allocation changes can be swift and violent, so it is important to be positioned in small cap value ahead of time to fully capture the move.

Outside of relative earnings growth, it is hard to envision small cap value outperforming without having the banks outperform, as they represent approximately 18% of the Russell 2000 Value. At the end of this report, we have a detailed discussion on why we feel banks could have attractive returns going forward and as a result, help propel value past growth. In tandem with banks' outperformance, would be a rise in interest rates that resulted from rising inflation and/or increasing real economic growth. Value stocks tend to act like short duration bonds, while growth stocks tend to act like long duration bonds. Rising inflation and/or rising interest rates would negatively impact long duration assets. As such, this should benefit value stocks relative to growth stocks.

We think the risk/reward for value stocks relative to growth looks very attractive at this point in time. While catalysts are typically only realized in retrospect, we feel that 1) higher relative earnings growth starting in mid-2021, 2) banks outperforming, and 3) rising interest rates/inflation could all serve as potential catalysts to kick start value's outperformance over growth.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Information Technology	9.0%	6.1%	2.9%	5.1%	0.1%	56 bps	38 bps
Industrials	21.7%	16.5%	5.2%	7.5%	7.3%	214 bps	34 bps
Real Estate	2.8%	10.0%	-7.2%	-3.7%	-2.6%	-13 bps	34 bps
Utilities	0.4%	5.1%	-4.8%	-0.6%	-3.1%	1 bps	33 bps
Financials	31.2%	27.4%	3.8%	-2.9%	-4.0%	-96 bps	19 bps
Energy	7.5%	4.4%	3.1%	-4.3%	-9.9%	-26 bps	4 bps
Communication Services	0.1%	2.5%	-2.3%	-9.3%	-1.1%	-10 bps	2 bps
Consumer Staples	3.1%	3.6%	-0.5%	-1.9%	7.1%	-10 bps	-25 bps
Health Care	2.2%	6.5%	-4.3%	1.3%	7.6%	4 bps	-35 bps
Consumer Discretionary	13.7%	12.2%	1.5%	15.3%	20.9%	234 bps	-37 bps
Materials	6.7%	5.7%	1.0%	-3.1%	6.5%	-9 bps	-58 bps

(see disclosures)

The best performing sector relative to the benchmark for the quarter was Information Technology. The outperformance was mostly due to above par stock selection in the Hardware & Equipment industry. We took advantage of the market wide selloff in the first and second quarters to add to select companies in the Technology sector as falling stock prices reduced valuations to attractive levels based on our estimate of normalized earnings power. In the third quarter, the portfolio benefitted from those earlier purchases as a snap back in prices helped drive the outperformance.

The second best performing sector relative to the benchmark for the quarter was Industrials. The outperformance stemmed from being overweight the sector. Similar to last quarter, Industrial stocks continued their bounce as hopes of an economic recovery, combined with low valuations in the sector, helped propel stock prices higher. We took advantage of the Industrial stock price strength by reducing the weight in the sector.

The worst performing sector relative to the benchmark for the quarter was Materials. The underperformance was mostly due to weakness in the Metals and Mining industry. After having a strong second quarter, stocks in the businesses of steel production and recycling, aluminum fabrication, and gold mining saw their stock prices give back some of their respective second quarter outperformance. We believe that these businesses currently remain undervalued in the market.

The second worst performing sector relative to the benchmark for the quarter was Consumer Discretionary. The underperformance was a result of the portfolio's lack of exposure to restaurant and casino stocks, which benefited from the market's tilt towards low quality stocks this quarter. We are being cautious with the industries that are directly impacted by COVID-19, such as restaurants and gaming stocks, as the uncertainty around normalized earnings power is unusually high at the moment.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	STEWART INFORMATION SERVICES	2.23	73 bps
2	WESCO INTERNATIONAL INC	2.05	68 bps
3	JELD-WEN HOLDING INC	1.59	62 bps
4	TRI POINTE GROUP INC	2.49	57 bps
5	PENSKE AUTOMOTIVE GROUP INC	2.29	50 bps
6	TIMKEN CO	2.10	42 bps
7	HOOKER FURNITURE CORP	1.21	37 bps
8	COOPER TIRE & RUBBER	2.37	36 bps
9	HERMAN MILLER INC	1.44	28 bps
10	ALTRA INDUSTRIAL MOTION CORP	1.30	27 bps

	Top 10 Detractors	Average % Weight	Contribution
1	BRIGHAM MINERALS INC CL A	1.23	-34 bps
2	CATHAY GENERAL BANCORP	2.03	-34 bps
3	STONEX GROUP INC	2.23	-29 bps
4	BLUE BIRD CORP	0.60	-27 bps
5	AMERICAN EQUITY INVESTMENT LIFE	2.52	-24 bps
6	ARGAN INC	2.14	-20 bps
7	GOLD RESOURCE CORP	0.92	-19 bps
8	POWELL INDUSTRIES INC	0.68	-19 bps
9	BRYN MAWR BANK CORP	1.59	-16 bps
10	DIAMOND S SHIPPING INC	1.14	-16 bps

Selected Contributor(s) to Performance

The largest contributing stock this quarter was Stewart Information Services (STC). STC provides title insurance and related services throughout the United States. STC is benefitting from a strong housing market as transaction volume has remained elevated throughout the pandemic due to low mortgage rates and a desire to move to the suburbs as "work from home" is becoming more of a permanent fixture in American work life. We view STC's valuation as undemanding based on normalized earnings power combined with fundamentals that continue to be strong. Thus, STC continues to be a large weight in the portfolio.

The second largest contributing stock in the quarter was WESCO International (WCC). WCC operates distribution centers that distribute electrical products and other industrial maintenance, repair, and operating supplies, while also providing integrated supply services. WCC closed on its acquisition of Anixter (AXE) this quarter. The AXE acquisition will make WCC the largest domestic industrial distributor in a highly fragmented market. While there is execution risk, and WCC did leverage the balance sheet, the AXE acquisition has the potential to provide a very attractive return if management's significant synergy targets are met. Taking advantage of the price strength, we lowered the portfolio weight in WCC; however, it continues to be an average weight within the portfolio.

Selected Detractor(s) from Performance

The largest detracting stock in the quarter was Brigham Minerals (MNRL). MNRL is a mineral acquisition company focused on acquiring oil and gas mineral rights. Its portfolio consists of royalty interests in the Permian Basin in Texas and New Mexico, the SCOOP and STACK plays in the Anadarko Basin of Oklahoma, the D-J Basin in Colorado and Wyoming, as well as the Williston Basin in North Dakota. A private equity firm that helped bring MNRL public decided to reduce its ownership stake this quarter, which amounted to approximately 11% of MNRL's shares outstanding. This large block of stock was priced at an approximate 12% discount to the previous day's closing price causing the underperformance in the quarter. We believe MNRL remains a differentiated way to invest in the energy sector given its abundant cash flow and lack of capital intensity. The portfolio maintains a position in MNRL.

The second largest detracting stock in the quarter was Cathay General Bancorp (CATY). CATY is a Los Angeles based bank with a sizeable book of commercial loans. Bank stocks were weak in the quarter based on fears around compressing net interest margins and deteriorating credit quality as the stimulus measures put in place in March begin to expire. CATY sold off with the group and was under slightly more pressure due to its loan mix that is tilted towards commercial and small business loans. We feel bank stocks are being overly punished by the market and represent an attractive opportunity. The portfolio maintains a large weight in CATY.

Current Positioning

The portfolio's largest overweight sectors relative to the benchmark are currently in the Financials and Energy sectors. The largest underweight sectors relative to the benchmark are currently in the Real Estate and Health Care sectors. Throughout the quarter, the Financials and Utilities sectors increased the most in weight, while the Industrials and Information Technology sectors decreased the most in weight. 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.

In a continuation of last quarter's positioning, we continued to build the portfolio's weight in the Banking industry. Banks are being priced similar to where they were during the financial crisis, yet we believe that the fundamentals are stronger now than at that time. We feel banks are temporarily underearning their normalized earning power due to: 1) The new CECL (Current Expected Credit Loss) accounting standard that has pulled future losses forward into this year and 2) Compressing NIM's (Net Interest Margins), which is being caused by the combination of low interest rates coupled with excess deposits from government stimulus. We believe there is a chance that banks could release reserves in the future, as the CECL estimates prove conservative as most banks were overestimating future losses for CECL in the teeth of the COVID-19 panic in the first and second quarter. As for net interest margins, any uptick in interest rates would be beneficial to both growth and margin profiles. In addition, as excess deposits begin to either be deployed into new loans or runoff, the result should be NIM expansion as well. We also believe that most banks' balance sheets are better than they were in the financial crisis.

Below is a graph of small cap banks' price to book value, which is near 25-year lows (source: Bloomberg, S&P):

Let's walk through some fundamental math on the banks and see how, even in a slow growth industry, with current low starting valuations, banks could earn attractive future returns:

The chart above shows the small cap bank price to book ratio (P/B) over a 25-year time frame, where the median price to book has been 1.6x. Over this same period, banks have had a median return on equity (ROE) of around 10%. Using the formula P/B ÷ ROE = P/E, we can calculate an estimated price to earnings (P/E) ratio of around 16x (1.6 / 0.10 = 16) over the 25 year stretch, which is in line with the actual median P/E throughout the 25 years. Therefore, when using a normalized ROE of 10% and a price to book of 1.6x, the fundamental economic math holds true for an actual P/E of 16x.

Now, to be conservative, if we assume going forward that banks are expected to earn 30% less than they did in the past due to permanently lower net interest margins and/or higher credit losses, we would expect normalized ROE's to be 7% instead of the historical

10%. Reversing the aforementioned formula to solve for an expected P/B, we get 1.12x (16 * 0.07 = 1.12). However, if banks are also structurally growing slower, we would expect the normalized P/E to be lower than the past median of 16x. Since banks have historically paid out half of their earnings in dividends, we would assume the growth portion of the P/E to be reduced by 30%, which would result in a new normalized P/E of 13.6x (8 * 0.7 + 8 = 13.6). As a result, the new normalized price to book would be 0.95x (13.6 * 0.07 = 0.95x). Again, assuming that a bank pays out 50% of its earnings in dividends, it is left with half of its 7% ROE for growth, so it would have a book value growth rate of 3.5% annualized. Looking forward four years into the future, if a bank is growing its book value at 3.5% annualized, and in year four it is priced at 0.95x P/B (from our earlier calculation), then we would expect price appreciation of around 6% annualized from the current P/B level of 0.87x. Add the approximate 4%-4.5% dividend yield, and we envision small cap banks having a potential total return in the ballpark of +10-11% annualized over the next four to five years. This is while using, what we believe, are overly conservative assumptions for normalized ROE's.

Going forward, even if banks only have a growth rate of 3.5% annualized, which is approximately 30% lower than historical levels, by investing at such an attractive entry point valuation, an investor has the potential to generate double digit total returns. We believe that total return potential comes with much less downside risk than the overall market. We also believe there is upside to the +10-11% annualized estimated total return if ROE's return to historical levels rather than 30% below historical levels. This is an example of how value investing has generated its historical returns. When a slow, but steadily growing industry, or company, becomes priced too pessimistically, even when estimating future fundamentals to be below historical levels, that industry or company can generate attractive future total returns if the entry point valuation is attractive. We feel this is the dynamic currently at play for the small cap banks, and we believe they are one of the better risk/rewards in the market today.

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.

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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% 2019: 0.4% 2020: 0.6%.*

**A performance examination has been performed on performance results through 12/31/19. A firm-wide verification was performed for the periods 1/1/93 through 12/31/19. Data subsequent to 6/30/20 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.