Performance Comparison[1]

Periods Ended 12/31/20 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Small Cap Value (gross)	28.17	1.49	1.49	2.89	8.57	9.43	9.91
DCM Small Cap Value (net)	27.92	0.63	0.63	2.03	7.61	8.36	8.82
Russell 2000 Value	33.36	4.63	4.63	3.72	9.65	8.66	8.32

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 28.17% (gross of fees) compared with 33.36% for the Russell 2000 Value Index for the quarter ending December 31, 2020.

Loose monetary conditions combined with hopes for additional fiscal support, along with positive news on the vaccine front created a "risk-on" quarter in the financial markets. Small cap stocks had one of their best quarters ever as they benefited from the "risk-on" mood. Small cap value stocks beat small cap growth stocks this quarter. However, as we will show in the charts below, the rally in the value indices was more of a rally in risk than it was in value. This quarter's returns in small cap were led by low-quality characteristics. The stocks that performed best typically had high volatility, low profitability (often no profitability), and high leverage. Given that the DCM investment process focuses on high-quality stocks, macro factors were a major headwind this quarter.

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. Volatility (DCM SCV has lower)
3. Momentum (DCM SCV has lower)
4. Leverage (DCM SCV has lower)
5. Profitability (DCM SCV has higher)

Other than momentum, the four largest relative factor positions worked against the portfolio in the low-quality rally this quarter. In fact, the last few years have been extremely factor driven; to such an extreme, that the factors have nearly swamped all else, especially in small cap stocks. The value factor has just now seemed to find a bottom after being in freefall since the end of 2016. This has been a large headwind over the last four years as this has consistently been one of the portfolio's largest bets against the benchmark. The recent rally in the value indices has been much more driven by risk than it has been driven by true valuation. The charts that follow will illustrate how extreme the factor influences have been recently.

Value seems to have found a bottom, but has yet to breakout to the upside, leaving us optimistic about future returns. This ties with our bottom-up fundamental work where we believe names within the portfolio still have a lot of upside potential. Below is Bloomberg's Pure Value Index of the cheapest stocks based on a composite valuation metric (time frame is since DCM inception through quarter end):

The recent rally in the value indices has mostly been driven by risk, with the highest volatility and highest leverage stocks leading the way. Below is Bloomberg's Pure Volatility Index. Managing risk in 2020 did not pay off as the most volatile stocks led the way, hitting new highs, especially during the last two months where the highest volatility stocks went vertical:

However, looking at the highest volatility stocks over a long period of time illustrates that they are ripe for reversion to the mean as they have run to a point of excess. Below is Bloomberg's Pure Volatility Index that shows the highest volatility stocks are stretched when viewing them in the context of the last 20 years:

Even though DCM is a fundamental, bottom-up value investing firm, the discussion in the macro factor section of the quarterly commentaries has increasingly taken up more space. That is because factors have been so extreme in recent years, they have swamped stock specific moves, even for more concentrated portfolios such as ours. However, we believe these factor headwinds are quietly becoming tailwinds. As seen above, the value factor appears to be bottoming and starting to move higher, while the highest volatility and highest leveraged stocks (low-quality stocks) appear stretched. The combination of a value tailwind with a high-quality tilt is what has generated DCM's long-term performance; it appears we could be entering that type of market environment again. This matches our bottom-up fundamental work where some of the portfolio metrics relative to the index are as good as they have been in a long time.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Industrials	18.1%	16.9%	1.2%	36.6%	33.0%	659 bps	70 bps
Real Estate	2.1%	9.3%	-7.3%	8.4%	23.4%	25 bps	42 bps
Utilities	2.4%	4.8%	-2.4%	12.3%	20.8%	28 bps	30 bps
Health Care	2.1%	6.5%	-4.4%	7.5%	23.3%	18 bps	10 bps
Communication Services	0.0%	2.3%	-2.3%	0.0%	37.3%	0 bps	-9 bps
Financials	34.7%	27.8%	7.0%	35.3%	37.2%	1194 bps	-45 bps
Consumer Staples	4.2%	3.6%	0.7%	10.6%	29.2%	39 bps	-79 bps
Consumer Discretionary	13.3%	12.9%	0.4%	23.8%	29.5%	318 bps	-90 bps
Materials	6.2%	5.9%	0.3%	29.3%	48.1%	186 bps	-107 bps
Information Technology	8.4%	6.1%	2.3%	26.1%	43.5%	228 bps	-121 bps
Energy	7.5%	4.0%	3.5%	14.9%	45.7%	156 bps	-164 bps

(see disclosures)

The best performing sector relative to the benchmark for the quarter was Industrials. The outperformance was a result of being overweight the outperforming sector, as well as having better-than-benchmark stock selection. The Industrials sector benefited from the “risk-on” reopening trade in the market. The portfolio particularly benefited from its heavy weighting in Capital Goods stocks as the market embraced increased probabilities for infrastructure spending and fiscal support.

The second best performing sector relative to the benchmark for the quarter was Real Estate. The outperformance was due to being underweight the underperforming sector. Interest rates increased throughout the quarter as the market embraced the reopening of the economy, pressuring bond proxies such as REIT’s. There is also concern about what the future of commercial real estate might look like given the newfound ability to work from home for many industries.

The worst performing sector relative to the benchmark for the quarter was Energy. While the portfolio benefited from being overweight an outperforming sector, the stock selection was subpar, which led to the underperformance. The low-quality rally found a welcome home in the Energy sector this quarter. The benchmark had two stocks that returned over 200% (one was nearly 300%), plus an additional eight stocks that returned over 100%, and, to top it off, there were an additional 20 stocks that returned over 50%, for a total of 30 stocks with returns of 50% or more in the quarter. The portfolio’s conservatively financed and conservatively managed companies could not keep pace with that level of embracing risk, even though it had three stocks that returned over 26% in the quarter (which normally would be a solid showing).

The second worst performing sector relative to the benchmark for the quarter was Information Technology. The underperformance was mostly due to subpar stock selection. Similar to the Energy sector, the Information Technology sector was ground zero of the low-quality rally and “risk-on” mood. It had 32 stocks return more than 50%, with nine of them returning over 100%. The portfolio’s more prosaic fare could not keep the pace, even though it had four stocks return greater than 30% in the quarter.

There is a saying regarding the stock market that “stocks take the stairs up, but the elevator down.” For highly volatile, lower quality stocks that is even more true. It is important to remember that these types of returns can evaporate much more quickly than they were earned. Over the long term, bottom-up risk management has boosted the returns of the DCM portfolios, it just has not paid off much recently.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	AMERICAN EQUITY INVTESTMENT LIFE	1.85	115 bps
2	CATHAY GENERAL BANCORP	2.35	109 bps
3	WINTRUST FINANCIAL CORP	2.10	108 bps
4	MYR GROUP INC/DELAWARE	1.76	107 bps
5	KAISER ALUMINUM CORP	1.25	98 bps
6	WASHINGTON TRUST BANCORP	2.22	98 bps
7	AMERICAN NATIONAL GROUP INC	2.31	96 bps
8	DANA INC	1.43	92 bps
9	ASSOCIATED BANC-CORP	2.51	91 bps
10	FNB CORP	2.06	89 bps

	Top 10 Detractors	Average % Weight	Contribution
1	STANDARD MOTOR PRODUCTS	0.31	-35 bps
2	HAMILTON BEACH BRAND-A	0.61	-19 bps
3	TRI POINTE GROUP INC	2.55	-9 bps
4	HEARTLAND EXPRESS INC	1.16	-5 bps
5	SOUTHWEST GAS HOLDINGS INC	0.91	-5 bps
6	CNX RESOURCES CORP	0.19	-3 bps
7	GOLD RESOURCE CORP	0.56	-3 bps
8	CAL-MAINE FOODS INC	0.20	-1 bps
9	DIAMOND S SHIPPING INC	0.79	-1 bps
10	PRESTIGE CONSUMER HEALTHCARE	0.05	0 bps

Selected Contributor(s) to Performance

The largest contributing stock this quarter was American Equity Investment Life (AEL). AEL sells fixed-index and fixed-rate annuity products typically to individuals aged 45-75, who are interested in accumulating tax-deferred savings or creating guaranteed lifetime income. In early October, Athene Holding and Massachusetts Mutual Life Insurance offered to buy AEL for $36/shr, which represented a 64% premium over the price before the offer was announced. The $36/shr offer exactly matched our estimate of the private market value (PMV) for AEL (this helps to give us confidence that our valuation techniques are in the same ballpark as the private market). With the offer price at our estimate of AEL's PMV and given our caution over whether the deal would be consummated since it took AEL's management a month to respond or disclose the offer, we aggressively sold down the position on the price spike. Nearly three weeks after the buyout offer was announced, AEL reported that it went in a different direction with Brookfield Asset Management in the form of an equity injection and a strategic partnership. AEL's stock price fell from the low $30/shr level where it traded after the buyout announcement to the mid $20/shr range. We bought back shares to hold a new lower target portfolio weight given the discount to our estimate of PMV. The lower target weight is representative of management's unwillingness to sell at a fair offer price. The portfolio continues to have a position in AEL.

The second largest contributing stock in the quarter was Cathay General Bancorp (CATY). CATY is a Los Angeles based bank with a sizeable book of commercial loans. Last quarter, CATY was the portfolio's second largest detracting stock, at that time we wrote, "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." CATY, as well as most bank stocks, snapped back this quarter, rebounding from the overly depressed levels they traded at last quarter. The portfolio maintains a large weight in CATY.

Selected Detractor(s) from Performance

The largest detracting stock in the quarter was Standard Motor Products (SMP). SMP manufactures replacement parts for motor vehicles in the automotive aftermarket industry. It operates in two business segments, Engine Management and Temperature Control. Shortly after we added a small initial position of SMP to the portfolio, it announced that a large customer, assumed to be Advance Auto Parts, was pursuing a private brand strategy for its engine management product line, which represented approximately 12% of SMP's estimated sales. While disappointing, SMP has handled similar issues in the past by cutting costs and has proven the ability to replace lost business. We view SMP as a high-quality company through a full economic cycle, and we added to the position on the stock price weakness. The portfolio maintains a position in SMP.

The second largest detracting stock in the quarter was Hamilton Beach Brands (HBB). HBB designs a wide range of branded, small, specialty housewares appliances such as air fryers, blenders, coffee makers, food processors, indoor electric grills, slow cookers, toaster ovens, etc. Its brands include Hamilton Beach, Proctor Silex, Weston, Wolf Gourmet, and True Air, amongst others. HBB reported disappointing earnings as a new enterprise resource planning (ERP) system created shipping problems. Demand for HBB's products appeared to be solid, and we view this situation as transitory as it seems the new ERP system issues have been resolved. The portfolio maintains a position in HBB.

Current Positioning

The portfolio's largest overweight sectors relative to the benchmark are currently in the Financials and Consumer Staples sectors. The largest underweight sectors relative to the benchmark are currently in the Real Estate and Health Care sectors. Throughout the quarter, the Utilities and Consumer Staples 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 last quarter's commentary, we used this section to explain our thinking behind the portfolio's bank positioning. Throughout the quarter, banks represented an average weight of approximately 20% of the portfolio. They returned approximately 41% as a group in the quarter. So far, the banks seem to be following the thesis we put forth in last quarter's commentary as the yield curve improves and the market is realizing the discounted valuations. Even with some profit taking on our part as we paired back the outperformance in select names, banks continue to be a large part of the portfolio, remaining around 20% of the overall portfolio.

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% 2019: 0.4% 2020: 0.5%.*

**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 9/30/20 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.