DEAN Capital Management

Multi-Cap Value Commentary

First Quarter 2021

Performance Comparison[1]

Periods Ended 3/31/21 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Multi-Cap Value (gross)	8.85	8.85	47.51	10.20	11.39	10.73	10.40
DCM Multi-Cap Value (net)	8.69	8.69	46.66	9.54	10.69	9.92	9.56
Russell 3000 Value	11.89	11.89	58.38	10.99	11.87	10.91	9.19

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

Performance Summary

The DCM Multi-Cap Value composite gross total return was 8.85% in the first quarter of 2021, compared with the Russell 3000 Value Index return of 11.89%.

Broad market factors were a tailwind in the first quarter. The Multi-Cap Value portfolio tilt to value priced stocks and higher dividend yield exceeded the detracting exposure to lower volatility and higher profitability. In short, the value style was the clear winner in the quarter. Lower priced stocks benefited from expectations of an improving economy in light of rapid growth in COVID vaccination and corresponding lower case numbers and hospitalizations. Much of the economy that was shuttered due to the pandemic is allowing in-person activities to commence, and more restrictions are expected to be reduced over the next several months.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Utilities	5.3%	5.1%	0.3%	7.4%	3.0%	39 bps	23 bps
Communication Services	5.0%	9.0%	-4.0%	1.0%	6.3%	5 bps	-6 bps
Materials	4.3%	4.9%	-0.6%	9.5%	11.8%	41 bps	-10 bps
Information Technology	10.8%	9.3%	1.5%	10.3%	11.5%	110 bps	-14 bps
Real Estate	3.6%	4.6%	-1.0%	5.0%	9.5%	17 bps	-15 bps
Consumer Staples	6.7%	6.9%	-0.3%	0.6%	3.6%	1 bps	-20 bps
Health Care	14.6%	12.6%	1.9%	4.3%	4.5%	61 bps	-20 bps
Consumer Discretionary	7.2%	8.1%	-0.9%	13.0%	16.7%	91 bps	-30 bps
Industrials	16.4%	13.7%	2.6%	11.4%	14.0%	184 bps	-37 bps
Energy	3.6%	5.0%	-1.4%	25.1%	31.7%	83 bps	-41 bps
Financials	20.4%	20.8%	-0.4%	12.5%	17.8%	252 bps	-106 bps

(see disclosures)

The best sector for Multi-Cap Value in the first quarter was the Utilities Sector. Allocation was relatively neutral as the portfolio was approximately equal weight the underperforming sector, though strong stock selection accounted for almost all the attribution. Northwestern Corp (NWE) outperformed the sector due to its reaffirmation of 2021 guidance and long-term EPS growth rate after an up and down 2020, returning 12.9%. Duke Energy Corp (DUK) also provided a solid return of 6.6%, more than double the benchmark's sector return, as management announced its intention to sell its minority stake in an Indiana utility to generate funding instead of issuing equity in order to take advantage of the pro-infrastructure environment.

The second best sector for the portfolio was Communication Services. The outperformance was driven by allocation as the portfolio was underweight the underperforming sector. However, stock selection offset being underweight the sector. One of last quarter's leaders, Walt Disney Co. (DIS), underperformed the sector this quarter, returning 1.8%, as subscriber growth for its Disney+ streaming service was pulled forward almost entirely into last quarter, though we remain confident in management's long-term focus on its studio franchises' dominance and improved capital allocation. The only other holding was Verizon Communications (VZ), which was flat on the quarter, as management outlined strong growth prospects, with its new spectrum purchase leading the way toward a doubling of service revenue over four years. However, due to the longer time horizon, it seems the market is unwilling to give credit until more milestones are passed.

The worst sector for Multi-Cap Value this quarter was Financials. Allocation was relatively neutral as the portfolio was approximately equal weight the outperforming sector, though stock selection accounted for almost all the negative attribution. Globe Life (GL), a provider of life and health insurance, reported strong results for the fourth quarter of 2020, but forward guidance disappointed as management pointed to an uptick in potential COVID claims. With most of the market turning its eyes towards re-opening plays, the distaste for any lingering COVID effects is apparent as GL returned just under 2% for the quarter. BlackRock Inc. (BLK), a global investment management firm, returned 5.1% as interest rates rose throughout the quarter, causing investor jitters as approximately 1/3rd of assets under management is in fixed income products. The other major detractor to performance was Capitol Federal Financial, Inc. (CFFN), which returned 6.7% as net interest margin continues to be hampered by lower asset yields along with continued refinancing and endorsement activity, with the near-term outlook not expected to get much better, per management.

The second worst sector in the first quarter was Energy. This negative performance was driven equally by allocation, as the portfolio was underweight the outperforming sector, and stock selection, as the portfolio has a high-quality bias in a sector notorious for volatility. The outperformers in the benchmark were names with some of the highest leverage, with drillers that have a history of capital spending above internally generated cash flow; meaning, they are heavily reliant on capital markets to fund their exploration and drilling programs. In an environment as volatile as oil and gas has historically been and continues to be and with ever tighter restrictions on capital given to traditional oil and natural gas focused energy names, we prefer to invest in long-term compounders with manageable debt loads and strong management teams adhering to strict capital allocation discipline. Chevron Corp (CVX) is discussed in more detail below and provides a good example of the quality of companies we look for in this sector.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	REGAL BELOIT CORP	3.35	53 bps
2	CHEVRON CORP	2.18	52 bps
3	INTEL CORP	1.76	45 bps
4	KEYCORP	1.98	42 bps
5	LOWE'S COMPANIES INC	2.32	42 bps
6	TRUIST FINANCIAL	1.84	39 bps
7	US BANCORP	1.82	35 bps
8	PNC FINANCIAL SERVICES	1.90	34 bps
9	BORGWARNER INC	1.71	32 bps
10	KINDER MORGAN INC	1.39	31 bps

	Top 10 Detractors	Average % Weight	Contribution
1	COGNIZANT TECH A	2.10	-11 bps
2	VF CORP	1.62	-11 bps
3	PEPSICO INC	1.88	-9 bps
4	CLOROX CO	1.04	-5 bps
5	ENCOMPASS HEALTH	2.61	-2 bps
6	PFIZER INC	1.49	-1 bps
7	STRYKER CORP	1.99	-1 bps
8	VERIZON COMMUNICATIONS	2.41	-1 bps
9	CASH	2.23	0 bps
10	DIGITAL REALTY	1.62	2 bps

Selected Contributor(s) to Performance

The highest contributing security in the first quarter was Regal Beloit Corp (RBC). RBC is a global manufacturer of electric motors and motion control systems, as well as power generation and transmission products. RBC was up 16.4% in the first quarter due to a strong earnings beat and guide, as well as an announced merger with Rexnord's (RXN) Process & Motion Control segment. Given the complementary nature of the companies' product portfolios, the merger would create an industry leading power transmission business with a much higher margin profile than legacy RBC, enhanced distribution, and cost, as well as revenue, synergies. The portfolio continues to own RBC.

The second highest contributing holding in the quarter was Chevron Corp (CVX). Chevron is a globally integrated energy company with operations producing and transporting crude oil and natural gas, as well as refining, marketing, and distributing fuels. The stock was up 25.8% with Brent prices continuing their climb as the macro-outlook got even rosier, and the re-opening trade continued its bullish run. In addition to the macro tailwinds, CVX also hosted an analyst day in March at which management guided to higher long-term production than expected, as the Company plans to keep Permian production unchanged. This comes considering a previously announced annual approximately $5B capital spending reduction, leading to higher returns on the same assets than before due to efficiency gains. With a long runway in oil production, including its Tengiz play in Kazakhstan coming online in 2024, we feel the market is not giving credit for normalizing downstream margins, coming off all-time lows, which we see as an additional future catalyst. The portfolio maintains its position in CVX.

Selected Detractor(s) from Performance

The lowest contributing security this quarter was Cognizant Tech Solutions (CTSH). CTSH is a professional services company offering digital services and solutions, consulting, application development, systems integration, and infrastructure services amongst other services. CTSH was down -4.4% in the first quarter, compared with the benchmark Russell 3000 Value Information Technology sector up 11.5% in the quarter. The Company's underperformance was due to the exit of a large financial services contract in Europe, which impacted the top line by approximately 2.5% and bottom line by approximately $0.25 of EPS. Absent this contract loss, the Company performed on par with expectations and continues to accelerate its shift to digital and report bookings growth in the mid-teens, setting up a nice runway for higher-margined growth. The portfolio maintains a position in CTSH.

The second lowest contributing security in the first quarter was VF Corp (VFC). VF Corp is a global manufacturer of branded lifestyle apparel, footwear, and related products with a diverse portfolio of brands including North Face, Vans, Dickies, Supreme, and Timberland. VFC was down -5.9% in the first quarter, compared with the benchmark Russell 3000 Value Consumer Discretionary sector up 16.7% in the quarter. The company disappointed in the quarter as sales were soft in its Active segment and gross margins came in below investors' expectations on higher promotional activity. With inventories down and in a solid position exiting the quarter, the higher level of promotional activity is not expected to persist. Looking forward, management has articulated a brand-by-brand plan to return the Company to its long-term high-single-digit top-line and low-double-digit bottom line growth algorithm through product innovation, brand collaboration, and increasing direct-to-consumer sales which carry a higher margin. The portfolio continues to own VFC.

Current Positioning

The portfolio is overweight the Industrial and Health Care sectors and underweight Communication Services and Energy. Factor positioning remains tilted toward value priced securities as well as those with higher profitability, growth, and dividend yield relative to the benchmark. The portfolio has lower exposure to volatility, leverage, and earnings variability broad factors.

Economic indicators such as interest rates, manufacturing activity, and housing are strong. Employment, while still quite weak, is improving and is expected to continue recovering as the economy opens to full capacity. Stock market prices reflect this improvement as well as an expectation for considerable growth. The question is whether high recovery expectations and related high stock prices will overshoot reality. It seems quite likely that the economy will be exceptionally strong in the next 12-18 months. This is widely accepted, and thus a strong economy might not be enough to justify the unusually high market valuation levels. It remains entirely possible the economy will under-deliver as so often happens. The DCM Multi-Cap Value portfolio remains fully invested; however, we feel a somewhat contrarian portfolio positioning provides the best risk/reward. Hence the portfolio's higher weights in less economically sensitive areas and less volatile securities.

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®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Past performance does not guarantee 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).

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 report 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 0.60%. 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.

A performance examination has been performed on performance results from 7/1/08 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.