## Performance Comparison[1]

| Periods Ended 12/31/23 (%) | QTR | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | S. I.[1] |
|---|---|---|---|---|---|---|---|
| DCM Mid Cap Value (gross) | 10.23 | 14.01 | 14.01 | 12.43 | 12.49 | 9.53 | 11.50 |
| DCM Mid Cap Value (net) | 10.01 | 13.07 | 13.07 | 11.50 | 11.56 | 8.58 | 10.51 |
| Russell Midcap Value | 12.11 | 12.71 | 12.71 | 8.36 | 11.16 | 8.26 | 9.16 |

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

## Performance Summary

The DCM Mid Cap Value composite was up 10.23% (gross of fees) for the quarter ended December 31, 2023, compared with the Russell Midcap Value Index, up 12.11%.

Macro style factors were a significant headwind this quarter. The Dean Mid Cap Value strategy's largest factor exposures are overweight low volatility stocks, those with lower beta and volatility, and overweight quality stocks, those with higher profitability, lower leverage, and lower earnings variability. Fear was paramount in the market through October on the backs of successive Consumer Price Index (CPI) readings that showed higher inflation than expected and Fed commentary that rates would need to remain high for a longer period to combat inflation. This led to the 10 Year Treasury yield reaching a peak of 4.99% in late October and the benchmark Russell Midcap Value (RMV) index declining nearly 5%. The fear of a slowing economy and higher yields benefited the Fed's inflation fighting mission by tightening money supply without additional rate cuts. The strategy fared well in this environment, up approximately 3% relative to the benchmark in October. However, sentiment and Fed commentary shifted significantly in the November/December timeframe as inflation once again showed improvement as measured by CPI, and unemployment rates showed a very slight increase, bolstering the case for rate cuts. In the December Fed minutes, the tone became starkly more dovish, and the updated dot plot indicated a higher probability of a rate cut by March. The change in sentiment led the 10 Year Treasury yield to decline to 3.88% by the end of December and the RMV index to rise 17.9% in the last two months of the quarter. The strategy underperformed in this time period by nearly 5%, primarily due to being overweight high-quality stocks and underweight high volatility stocks, those with wide price swings or high cyclical leverage relative to the market.

## Sector Drivers

| GICS Sectors | Average Weight | | | Stock Level Returns | | Portfolio Impact | |
|---|---|---|---|---|---|---|---|
| | Port | Bench | Active | Port | Bench | Contribution | Attribution |
| Materials | 4.8% | 7.7% | -2.9% | 15.9% | 8.9% | 72 bps | 41 bps |
| Communication Services | 3.3% | 3.3% | -0.1% | 16.1% | 11.4% | 51 bps | 15 bps |
| Energy | 4.0% | 5.7% | -1.7% | -1.6% | 0.1% | -8 bps | 15 bps |
| Industrials | 20.3% | 19.0% | 1.3% | 13.4% | 13.6% | 256 bps | -1 bps |
| Consumer Staples | 8.4% | 3.8% | 4.6% | 7.2% | 5.2% | 62 bps | -16 bps |
| Information Technology | 3.1% | 9.3% | -6.2% | 1.7% | 10.3% | -24 bps | -25 bps |
| Real Estate | 8.3% | 10.3% | -2.1% | 14.3% | 16.6% | 111 bps | -27 bps |
| Health Care | 6.7% | 6.9% | -0.2% | 3.0% | 7.8% | 20 bps | -30 bps |
| Utilities | 8.8% | 7.5% | 1.3% | 6.4% | 9.3% | 57 bps | -31 bps |
| Financials | 18.3% | 17.3% | 0.9% | 15.5% | 17.2% | 279 bps | -38 bps |
| Consumer Discretionary | 8.4% | 9.1% | -0.7% | 8.8% | 15.9% | 80 bps | -63 bps |

*(see disclosures)*

The best performing sector relative to the Russell Midcap Value index was Materials. The strategy benefited from being underweight the sector which underperformed the benchmark. Stock selection also contributed to positive relative performance with Eagle Materials (EXP) and International Flavors and Fragrances (IFF) outperforming, up 22.0% and 22.1% for the period held, respectively, in the quarter. Eagle Materials, a manufacturer of cement and wallboard, benefitted from the decline in interest rates, which is projected to benefit homebuilding end markets. International Flavors and Fragrances, which manufactures flavors and fragrances for the food, personal care, and household industries, has struggled with slowing consumer demand which has led to customer destocking. After three consecutive quarters of declining fundamentals, volumes improved sequentially across its businesses. The company provided guidance that indicates the worst should be past for the company. In addition, the company made progress in improving its balance sheet with the announced sale of the Lucas Meyer Cosmetics business.

The Communication Services and Energy sectors tied for the second best performing sector. The Communication Services sector's outperformance was due to stock selection. Advertising agency Omnicom (OMC) outperformed late in the quarter as stocks with higher cyclical sensitivity led the market. Video game maker Take Two Interactive (TTWO) outperformed on stronger bookings as well as announcing a date for the next Grand Theft Auto (GTA) trailer and game release, which has been long anticipated as a driver for the stock. The Energy sector outperformance was driven by sector allocation with the strategy being underweight the benchmark 1.7% on average in the quarter. The benchmark Energy sector was the worst performing sector in the quarter, returning only 0.1%.

The worst sector relative to the benchmark was Consumer Discretionary. Sector allocation was negative due to not owning any stocks within the Consumer Services industry group, which outperformed the sector and benchmark, and being overweight the Automobiles & Components industry group, which generated a negative return for the benchmark. Stock selection was also negative for the sector. Auto parts retailers Genuine Parts (GPC) and AutoZone (AZO) underperformed as the market sought stocks with higher cyclical exposure. Auto parts manufacturer BorgWarner (BWA) was down -10.9% on updated guidance that reflected concerns of a slowing auto market, especially within the EV space, which has seen heavy investment from the company in the past few years.

Financials were the second worst performing sector in the period. The strategy was negatively impacted by being overweight the Insurance industry group, which was up 7.7% in the benchmark, and underweight the Financial Services and Banks industry groups, which were both up approximately 23%. In short, the strategy underperformed by not having enough exposure to the stocks with the most economic sensitivity, which outperformed by a wide margin as expectations for interest rate cuts accelerated late in the quarter.

Cash also negatively impacted performance with an average weight of 4.36% in a period when the benchmark rose 12.08%.

## Top 10 Contributors/Detractors

| | Top 10 Contributors | Average % Weight | Contribution |
|---|---|---|---|
| 1 | PULTEGROUP INC | 1.63 | 53 bps |
| 2 | PILGRIM'S PRIDE CORP | 2.40 | 47 bps |
| 3 | PROSPERITY BANCSHARES INC | 1.26 | 45 bps |
| 4 | SKECHERS USA INC CL A | 1.58 | 41 bps |
| 5 | BANK OF NEW YORK MELLON CORP | 1.75 | 40 bps |
| 6 | ITT INC | 1.89 | 40 bps |
| 7 | ASSURANT INC | 2.08 | 37 bps |
| 8 | INTERNATIONAL FLAVORS & FRAGRANCES | 1.29 | 34 bps |
| 9 | CBRE GROUP INC A | 1.36 | 31 bps |
| 10 | EAGLE MATERIALS INC | 1.49 | 29 bps |

| | Top 10 Detractors | Average % Weight | Contribution |
|---|---|---|---|
| 1 | BORGWARNER INC | 1.68 | -21 bps |
| 2 | CORNING INC | 0.46 | -21 bps |
| 3 | FIFTH THIRD BANCORP | 0.48 | -17 bps |
| 4 | BJ'S WHOLESALE CLUB HOLDINGS | 1.38 | -11 bps |
| 5 | JAZZ PHARMACEUTICALS PLC | 1.86 | -11 bps |
| 6 | ARROW ELECTRONICS INC | 1.59 | -10 bps |
| 7 | EASTMAN CHEMICAL CO | 0.31 | -9 bps |
| 8 | GENUINE PARTS CO | 1.39 | -7 bps |
| 9 | BAKER HUGHES CO | 1.78 | -6 bps |
| 10 | ENCOMPASS HEALTH CORP | 1.77 | -5 bps |

## Selected Contributor(s) to Performance

PulteGroup (PHM) was the largest contributing stock for the quarter, up 39.7%. PulteGroup is a national homebuilder with the primary business being single-family detached homes with an average selling price of $571,000. In the quarter, PulteGroup reported earnings that were largely in-line with expectations. In the face of rising interest rates, demand has remained fairly strong, and the homebuilders have been able to maintain margins due to the limited need for discounting to drive volume. Considering demand has remained relatively strong at higher interest rates, the stock surged as 10 Year Treasury yields, which are an indicator of the direction of mortgage rates, declined from 4.9% on October 31 to end the year at 3.9% with the expectation lower rates would spur higher order rates in 2024. While order volumes will be impacted by interest rates and affordability, we continue to believe volumes will remain higher than in the past 10 years dictated by demographics as the population in household forming years increases. The portfolio continues to hold PulteGroup.

The second largest contributing stock was Pilgrim's Pride (PPC), up 21.2%. Pilgrim's Pride is the second largest producer of chicken in both the U.S. and Mexico. The company also has a portfolio of prepared foods as well as operations in Europe. The chicken industry exited 2022 with margins significantly below the five-year average due to oversupply. While pricing remains below the historical trend, the third quarter saw continued sequential improvement in market fundamentals. We expect to see continued improvement in supply/demand over the next year and thus continue to hold the stock.

## Selected Detractor(s) from Performance

The largest detracting stock in the quarter was BorgWarner (BWA), down -10.9%. BorgWarner is an auto parts supplier specializing in powertrain applications. The company has grown to be a primary provider of fuel injection products, turbochargers, and drivetrains that provide superior performance and efficiency. The company historically grew faster than the industry as its technology was in demand to improve fuel efficiency. However, with the growth in electrical vehicles (EV), BorgWarner has been spending to buy and develop technologies to compete in the marketplace. The strategy is starting to see benefits as the company has won significant electrical vehicle supplier contracts. However, recent headlines from auto producers have highlighted slowing EV adoptions. Based on industry trends, BWA lowered its forward EV growth expectations and guided year over year operating margins lower on reduced volume. The strategy continues to hold the stock due to BWA's leading market positions in key segments of the auto market.

Corning (GLW) was the second largest detracting stock, down -12.7% for the period held. The company is a leader in specialty glass, ceramics, and related materials. The largest business is glass displays for TVs, phones, and computers and accounts for approximately 40% of revenue. The second largest segment makes fiber glass products for optical networks for the communications and technology industries and accounts for approximately 35% of the company. The company has been facing inventory destocking in both end markets that is lasting longer than expected. Concerns remain over the level of consumer demand for electronics products after higher than typical sales during covid. For optical fiber networks, demand has been uneven and less than expected as companies adjust budgets and timelines for improving and building out additional networks. Shortly after reporting in late October, the position was exited, and proceeds invested elsewhere due to increased uncertainty on timing and level of demand improvement.

## Current Positioning

Currently, the portfolio's largest overweight sectors relative to the benchmark are the Consumer Staples and Financials sectors. The largest underweight sectors relative to the benchmark are the Information Technology and Materials sectors. Throughout the quarter, relative weight increased the most in the Financials and Consumer Discretionary sectors while decreasing the most in Industrials and Information Technology.

While we concur that the level of inflation is heading in the right direction, inflation is still meaningfully above the Fed's target of 2%. If one were to dig farther into the CPI data, we believe the easy lifting has been completed as supply chains have normalized exiting COVID abnormalities. Large contributors to a lower CPI have been a decline in energy costs largely due to slowing Chinese demand as their economy remains weak, a decline in transportation commodity costs as used car pricing and auto parts have normalized, and a decline in medical costs as elevated pandemic costs have eased. Recently, CPI improvement in key categories such as food and core services has leveled off. Without improvement in the cost of housing and softening of the labor market, we believe it will be difficult to fully contain inflation. After the recent market rally and decline in mortgage rates, we believe the risks are increasing that we see inflation data plateau or possibly re-accelerate, which would be negative relative to current market sentiment. While we understand the market is a discounting mechanism, we also feel the market is ahead of itself in assuming a soft landing can be perfectly executed and lower rates automatically mean higher earnings growth. The speed of the current rate tightening cycle is unprecedented, which may lead to delayed and more severe impacts to the economy than expected. Thus, we continue to focus on finding high quality stocks that we believe are being mispriced for transitory reasons rather than chasing the current market optimism.

## 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 Mid Cap Value style uses value oriented equities, the majority of which have a market capitalization between $3.5 billion and $40 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 27% 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 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, trading and other expenses. Net results reflect the deduction of a model fee equivalent to the highest applicable advisory fee 0.80%. 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 is 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 12/31/22. A firm-wide verification was performed for the periods 7/1/08 through 12/31/22.*

FOR MORE INFORMATION

Patrick J. Krumm
Founding Member/
Director of Institutional Sales

7400 W. 130th St., Suite 350
Overland Park, KS 66213

pkrumm@deancapmgmt.com
913-944-4452
www.deancapmgmt.com

### 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.