DEAN Capital Management

Multi-Cap Value Commentary

First Quarter 2024

Performance Comparison[1]

Periods Ended 3/31/24 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Multi-Cap Value (gross)	5.64	5.64	12.14	6.00	8.20	8.48	9.54
DCM Multi-Cap Value (net)	5.48	5.48	11.48	5.37	7.55	7.76	8.75
Russell 3000 Value	8.62	8.62	20.18	7.74	10.18	8.86	8.91

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 5.64% in the first quarter of 2024, compared with the Russell 3000 Value Index return of 8.62%.

Overall, factors were a headwind in the first quarter. The portfolio's top overweight positions, dividend yield and profitability, were both negative in the quarter, continuing a trend that has lasted for over a year. Meanwhile, the portfolio's largest underweight, volatility, reversed course and was the largest contributor this quarter as the market came to accept that the strong US economy is here to stay, and rate cuts are not imminent, leading to less volatile companies outperforming. The portfolio's inherent anti-momentum investment process, whereby the investment team sells its winners as they appreciate and become more expensive relative to normalized earnings power, and buys its laggards in a reverse of that process, continued to be a major headwind in the quarter.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Real Estate	4.0%	5.1%	-1.1%	2.2%	-1.0%	10 bps	26 bps
Communication Services	2.9%	4.6%	-1.7%	13.2%	7.7%	38 bps	18 bps
Materials	4.3%	4.7%	-0.5%	10.9%	7.5%	46 bps	14 bps
Consumer Staples	10.3%	7.5%	2.8%	7.0%	6.5%	72 bps	-1 bps
Consumer Discretionary	6.3%	5.4%	0.9%	5.8%	6.7%	37 bps	-6 bps
Health Care	15.3%	14.4%	0.9%	5.3%	6.4%	70 bps	-23 bps
Information Technology	7.8%	9.3%	-1.5%	2.7%	6.7%	22 bps	-34 bps
Industrials	9.1%	14.0%	-4.9%	8.1%	11.6%	78 bps	-45 bps
Energy	5.1%	7.9%	-2.8%	6.4%	13.7%	35 bps	-50 bps
Utilities	8.7%	4.6%	4.0%	-0.5%	4.9%	-6 bps	-65 bps
Financials	22.6%	22.5%	0.1%	7.3%	12.0%	163 bps	-102 bps

(see disclosures)

The best sector for the first quarter was Real Estate. The portfolio was underweight the underperforming sector with both allocation and selection contributing positively to attribution. The portfolio's largest REIT holding, Digital Realty Corp (DLR), a data center provider, trounced the sector's negative return over the course of a rather volatile quarter with a 7.9% return. After missing earnings and resetting forward guidance, the stock rebounded as hyperscale demand picked up, and the Street anticipated a more favorable cost of capital environment materializing. The portfolio maintains a position in DLR.

The second best sector for the quarter was Communications Services, mainly driven by stock selection. The portfolio was underweight the underperforming sector. Verizon Communications Inc (VZ), a telecommunications provider, returned 13.2% during the quarter, beating the benchmark sector's 7.7% return. Management reported its best gross postpaid phone adds since 2019 and best net postpaid phone adds in two years, with 10 consecutive quarters of net adds >125k. The Company is also seeing a higher premium upgrade rate in its markets that have C-band deployed versus those that don't which, paired with a capex step down over the next few years, should drive better margins and higher free cash flow providing plenty of capital allocation optionality, driving the stock higher. The portfolio continues to hold VZ.

The worst detracting sector for the quarter was Financials. The portfolio was overweight the outperforming sector, but stock selection's negative effects overwhelmed the minor positive contribution from allocation. Stock selection was worst in the insurance industry as the portfolio's two life insurance holdings, Globe Life (GL), the larger of the two positions, and Aflac Inc. (AFL), could not keep up with the benchmark industry's 15.2% return. GL actually lost -4.2% in the quarter as management announced it was subpoenaed by the Department of Justice as it looks into allegations of wrongdoing against the company. AFL only gained 4.7% after announcing an earnings miss but maintained expectations for a sales recovery and margin expansion. The portfolio sold its position in GL shortly after the quarter concluded but maintains a position in AFL.

The second worst detracting sector was Utilities. The portfolio was overweight the underperforming sector with both selection and allocation effects being negative. All three of the portfolio's holdings found themselves in the bottom 20 contributors for the quarter. Along with idiosyncratic earnings misses and guidance revisions, the entire utilities space continues to underperform the broader market and is the second worst performing sector in the Russell 3000 Value index for the year-to-date period ending 3/31. Lack of tangential exposure to AI, relatively muted earnings growth, and a boring business model have left utilities cast to the side from the market's purview. With a narrow-range-of-outcome sector underearning normalized earnings, sporting below average valuation multiples on these trough-like earnings, and paying out a high dividend yield, the investment team finds plenty to like about this downtrodden sector.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	JPMORGAN CHASE & CO	2.98	53 bps
2	BERKSHIRE HATHAWAY INC	3.11	52 bps
3	ENCOMPASS HEALTH CORP	2.31	52 bps
4	AUTOZONE INC	2.36	48 bps
5	REGAL REXNORD CORP	2.02	43 bps
6	VERIZON COMMUNICATIONS INC	2.89	38 bps
7	MCKESSON CORP	2.29	37 bps
8	LINDE PLC	2.73	36 bps
9	FISERV INC	1.78	34 bps
10	DONALDSON CO INC	2.20	32 bps

	Top 10 Detractors	Average % Weight	Contribution
1	HUMANA INC	1.79	-54 bps
2	STANDARD MOTOR PRODUCTS INC	2.08	-34 bps
3	PJT PARTNERS INC	1.81	-14 bps
4	GLOBE LIFE INC	2.73	-12 bps
5	PFIZER INC	2.14	-9 bps
6	PUBLIC STORAGE	1.83	-7 bps
7	WEC ENERGY GROUP INC	3.06	-5 bps
8	COGNIZANT TECHNOLOGY SOLUTIONS	1.53	-4 bps
9	UNITED PARCEL SERVICE INC	1.43	-3 bps
10	HENRY SCHEIN INC	1.05	-2 bps

Selected Contributor(s) to Performance

The highest contributing holding was JPMorgan Chase & Co. (JPM), which returned 18.5% for the first quarter. JPM is a global financial services business offering retail banking, investment banking, asset management, card member services, and commercial banking, amongst other services. With its earnings release, JPM showed it had earned record net interest income, not just for JPM but across all US banks, and built its common equity tier one ratio to 15%, 260 basis points above regulatory minimums, providing a robust cushion for its balance sheet should the macro environment take a turn for the worst. Later in the quarter, management announced it expected investment banking fees to grow in the double digits on a rebound in transaction activity. The stock performed in line with these positive sentiments, and the portfolio trimmed its position on outperformance, while still maintaining a sizable exposure to the company.

The second highest contributing holding during the first quarter was Berkshire Hathaway (BRK/B). Berkshire Hathaway is a holding company with subsidiaries across insurance, transportation, and chemicals, amongst many other diverse end markets. The Company returned 17.9% for the quarter as operating income rose in the fourth quarter, and Buffett continued to prove his investing prowess as he nears the century mark with astute investments in Japanese trading firms. These results, combined with continued share repurchases, have led to strong earnings and book value gains. The portfolio continues to hold BRK/B.

Selected Detractor(s) from Performance

The single biggest detractor was Humana Inc. (HUM), which lost -24.1% during the first quarter. HUM is a managed health care company serving Medicare Advantage patients. After reporting earnings, management cut guidance due to price increases that are not keeping pace with cost inflation, which is also piggybacking off increasing utilization, ultimately compressing margins. This dual headwind paired with an unfavorable regulatory payment update for 2025 caused the stock to fall in the quarter. The portfolio maintains its position in HUM.

The second largest detractor 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. The stock fell -15.1% in the first quarter as management reported disappointing sales and earnings and provided a lackluster forecast for the upcoming fiscal year. Temperature Control was facing a tough year over year comp on top of a slow start to the year on mild weather but should rebound as summer rolls into the picture. The portfolio continues to own SMP.

Current Positioning

At quarter end, Multi was most overweight the profitability and dividend yield factors while remaining most underweight volatility and momentum. The portfolio is most overweight the Utilities and Consumer Staples sectors while being the most underweight the Industrials and Communications Services sectors. As always, these weightings and exposures are residuals of DCM's fundamental, bottom-up analysis and are not a macro or market call.

In our opinion, the market continues to focus on AI-hype, replacing fiat currency with crypto-based junk that can double and be cut in half again in the span of a few months, and putting exorbitant multiples on stocks that are already priced for perfection, have falling earnings estimates, or, in a fun twist, both. Meanwhile, DCM's process, focusing on high-quality companies with solid fundamentals, has been run in a disciplined manner for over 30 years, spanning back to the partners' previous firm. Over that time span, the process has withstood numerous cycles and manias and performed admirably from our standpoint. Our focus remains on the full-cycle performance of the portfolio's holdings, and while the types of companies we invest in are currently out of favor, we know these companies should provide strong downside protection and attractive relative performance when market sentiment reverses and re-emphasizes the qualities DCM looks for.

This is a humbling business, and sentiment can change in an instant, but the process' durability over time and the investment team's level-headedness in not following every market swoon, provide confidence in adhering to DCM's value discipline, and we look forward to reaping what we hope will be the rewards of our full-cycle view as the cycle plays out.

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.

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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 96% 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 12/31/22. A firm-wide verification was performed for the periods 1/1/93 through 12/31/22. Data subsequent to 2/29/24 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.