

Performance Comparison¹

Periods Ended 6/30/24 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I. ¹
DCM Small Cap Value (gross)	-3.07	-4.36	-0.59	3.30	8.46	7.16	9.79
DCM Small Cap Value (net)	-3.28	-4.76	-1.43	2.43	7.55	6.20	8.74
Russell 2000 Value	-3.64	-0.85	10.90	-0.53	7.07	6.23	7.92

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

Performance Summary

DCM Small Cap Value (“DCM SCV”) returned -3.28% (net of fees) compared with -3.64% for the benchmark, the Russell 2000 Value Index, for the quarter ending June 30, 2024.

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. Volatility (DCM SCV has lower)
2. Momentum (DCM SCV has lower)
3. Earnings Variability (DCM SCV has lower)
4. Dividend Yield (DCM SCV has higher)
5. Valuation (DCM SCV has lower)

The macro factor backdrop provided a slight tailwind this quarter, which is a welcome reversal compared to the past 15 months where it was a very significant headwind. The portfolio mostly benefited from its greater exposure to lower volatility stocks and to a lesser degree, its larger exposure to high quality stocks (high profitability, low leverage, low earnings variability). This benefit was somewhat offset from having less exposure to momentum stocks, where the momentum factor continues to have one of its best performance periods since the late ‘90’s tech bubble (discussed in more detail in last quarter’s commentary). The factor tailwind was also slightly offset from having exposure to lower valuation stocks in a quarter where growth stocks outperformed value stocks.

It has been well discussed that large cap growth stocks have significantly outperformed small cap value stocks over the last year and 10 years. The below table illustrates this point. Data as of 7/5/24:

1 Year Total Return:

	Value	Core	Growth
Large	14.82	26.44	30.41
Mid	13.57	8.82	14.09
Small	9.58	9.74	10.86

10 Year Total Return:

	Value	Core	Growth
Large	8.98	12.70	13.69
Mid	8.13	9.10	10.53
Small	6.16	7.29	7.25

Source: Morningstar

While some argue that this is a permanent shift due to various factors such as passive investing, the changing dynamics of the economy to a winner-take-all environment, the better relative fundamentals of large cap growth because of AI, etc., a simpler explanation is valuation expansion in an adrenaline-fueled momentum market similar to the late 1990's.

Given the low cost of capital/strong fiscal stimulus environment that the economy has been in for the past 15 years, the closer a stock gets to large cap growth, the better it has performed; meanwhile, the closer a stock gets to small cap value, the worse it has performed. When the cost of capital is low and fiscal stimulus is high, future earnings growth is worth more and valuations matter less. This environment might be coming to an end as inflation remains stubbornly high in a slowing growth economy, while the U.S. deficit eventually places limits on fiscal stimulus.

The extreme valuation expansion that has taken place can best be illustrated by using Morningstar's style box valuation table. While not DCM's method of normalizing earnings for valuation, this does provide a systematic, consistent look across the style box spectrum. As can be seen in the table below, there is tremendous relative opportunity in pure small cap value stocks given the valuation expansion that has outpaced fundamentals the further a stock is "up and to the right" in the style box leaving small cap value as the most undervalued style box by a wide margin. Data as of 7/5/24:

Median Price/Fair Value of Constituent Companies, as evaluated by Morningstar analysts:

	Value	Core	Growth
Large	-3.9%	+11.4%	+13.1%
Mid	-11.8%	-6.5%	+3.0%
Small	-19.7%	-14.7%	-6.3%

Source: Morningstar

All of the above has been well discussed in the business media (though the magnitude might be surprising to those not living in the small cap value world on a daily basis). Less discussed, however, is how this dynamic is playing out even within the smid cap space of the market.

Below is a table showing the Russell 2500 Index (smid cap) broken down by market cap stratification. As can be seen, there is a monotonic relationship between market cap and year to date performance through quarter end as well as market cap and valuation across three different metrics:

Russell 2500 Index (post rebalancing)

	YTD Median	Median	Median	Median
Market Cap	Total Return:	P/B	P/S	P/E
>\$5 bil	5.5%	3.3x	2.3x	21.4x
\$3 bil to \$5 bil	0.9%	2.3x	2.1x	17.8x
\$1 bil to \$3 bil	-3.7%	2.0x	1.8x	16.7x
<\$1 bil	-10.0%	1.4x	1.4x	13.7x

DCM Small Cap Avg Mkt Cap:	\$2.0 bil
Small Cap Value Category Avg Mkt Cap:	\$4.6 bil
Russell 2000 Value Avg Mkt Cap:	\$1.9 bil

Source: Bloomberg, FTSE Russell, Morningstar

Even within the small cap space, the purer a stock is in terms of being closer to the small cap value style box, the worse it has performed year to date, but at the same time, the more attractive the valuation and the potential future returns have become. DCM has remained very disciplined following our process over time, and as a result, the DCM Small Cap Value product has remained style pure. The opportunities within true small cap value stocks appear much more attractive than areas that drift higher and to the right in the style box, meaning larger in market cap and more oriented towards growth rather than value. Not many of our category peers have remained style pure given the category average market cap is nearly 2.5x the Russell 2000 Value's average market cap. We see tremendous relative opportunity in an area where others cannot participate due to the AUM size in their product or their unwillingness to participate because it would be going against the grain of the recent momentum towards "up and to the right."

Inflection points in momentum typically happen quickly, leaving little time to shift into the new regime if a portfolio is not already pre-positioned for the shift. They also tend to give back years of relative performance in a matter of months, which is one of the reasons we stay disciplined within our process by consistently selling when risk/rewards become unfavorable due to price appreciation and rotating into stocks where the risk/rewards are more favorable, typically due to price declines.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Industrials	15.3%	14.6%	0.7%	0.3%	-5.0%	4 bps	80 bps
Information Technology	3.4%	6.3%	-2.9%	18.1%	-1.3%	63 bps	52 bps
Utilities	17.2%	3.9%	13.3%	0.3%	-0.4%	5 bps	49 bps
Health Care	7.1%	8.9%	-1.9%	-7.8%	-10.1%	-56 bps	30 bps
Real Estate	4.8%	9.7%	-5.0%	3.4%	-2.6%	16 bps	22 bps
Financials	23.9%	25.8%	-1.9%	0.3%	-0.9%	0 bps	15 bps
Energy	1.9%	10.3%	-8.5%	-3.0%	-3.1%	-7 bps	-4 bps
Consumer Staples	8.6%	2.3%	6.3%	-4.8%	-4.6%	-41 bps	-7 bps
Communication Services	1.7%	2.4%	-0.7%	-5.9%	-3.0%	-12 bps	-7 bps
Materials	4.3%	5.2%	-0.9%	-11.6%	-3.9%	-51 bps	-32 bps
Consumer Discretionary	10.4%	10.7%	-0.3%	-18.6%	-6.3%	-213 bps	-140 bps

(see disclosures)

The best performing sector relative to the benchmark for the quarter was Industrials. The outperformance was evenly split between positive allocation and positive stock selection. In a partial reversal of the last few quarters, the portfolio benefited from being overweight the Transportation industry and underweight the Capital Goods industry. As we stated last quarter when the Industrials sector was the worst performing: “Our analysis points to significantly lower risk, higher return potential in the underearning Transportation industry when compared to the Capital Goods industry. Capital Goods companies are currently overearning normalized earnings power while the market bestows elevated multiples on them – a combination that leads to a low potential return forecast that also sports higher risk.” The market might be in the early stages of agreeing with our assessment.

The second best performing sector relative to the benchmark for the quarter was Information Technology. The outperformance was driven by stock selection, especially in the Technology Hardware & Equipment industry. Improving fundamentals at a contract manufacturer plus new additions to the portfolio with attractive risk/rewards helped drive positive stock selection. We have been adding weight to the portfolio in the Information Technology sector recently as small cap valuations in this area are starting to look relatively attractive with positive fundamentals.

The worst performing sector relative to the benchmark for the quarter was Consumer Discretionary. The underperformance was driven mostly by below benchmark stock selection, especially in the Consumer Durables & Apparel sector. A children’s clothing manufacturer and a component manufacturer for mattresses and chairs (amongst other items) led the decline. Both continue to struggle with high fixed cost levels amid customer destocking as consumer spending slows. Both are leaders in niche businesses that we believe will eventually get inventory levels and costs inline with the new demand environment, leading to a return to normalized earnings power.

The second worst performing sector relative to the benchmark for the quarter was Materials. The underperformance stemmed mostly from subpar stock selection. Two companies that trade more in line with the Consumer Staples sector, rather than the Materials sector, underperformed this quarter. A carbon black commodity company also underperformed. We have slowly been reducing the weight of the portfolio’s more Consumer Staples tied companies within the Materials sector.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	BENCHMARK ELECTRONICS INC	1.33	60 bps
2	ARGAN INC	1.21	60 bps
3	PJT PARTNERS INC A	1.75	25 bps
4	BRADY CORPORATION CL A	1.85	23 bps
5	ADDUS HOMECARE CORP	1.45	15 bps
6	NELNET INC CL A	2.14	12 bps
7	HEARTLAND EXPRESS INC	2.22	11 bps
8	BROADSTONE NET LEASE INC	0.63	8 bps
9	FULTON FINANCIAL CORP	0.86	8 bps
10	VERRA MOBILITY CORP	0.79	8 bps

	Top 10 Detractors	Average % Weight	Contribution
1	LEGGETT & PLATT INC	1.12	-50 bps
2	CARTER'S INC	1.20	-41 bps
3	ASTEC INDUSTRIES INC	1.05	-40 bps
4	SILGAN HOLDINGS INC	2.63	-33 bps
5	ADVANCE AUTO PARTS INC	0.99	-28 bps
6	CSG SYSTEMS INTL INC	1.09	-27 bps
7	STANDARD MOTOR PRODS	1.17	-21 bps
8	THE WENDY'S CO	2.30	-20 bps
9	AMN HEALTHCARE SERVICES INC	0.96	-19 bps
10	FRESH DEL MONTE PRODUCE INC	1.32	-19 bps

Selected Contributor(s) to Performance

The largest contributing stock this quarter was Benchmark Electronics (BHE). BHE provides advanced manufacturing services (electronic manufacturing services (EMS) and precision technology (PT) services), which includes design and engineering services as well as technology solutions. It serves various industries, including aerospace and defense, medical technologies, complex industrials, semiconductor capital equipment, next-generation telecommunications, and high-end computing. BHE reported better than expected results in the semiconductor segment, while both gross and operating margins have continued to expand for the entire company. BHE's end markets continue to be mostly weak, so given the strong margin expansion in a weak demand environment, the market became excited about the level of earnings that could be produced when end market demand returns. We are encouraged by the improving fundamentals, but with the strong move in the stock price, we have been reducing BHE's weight in the portfolio as the valuation based on normalized earnings power has become full. The portfolio maintains a small position in BHE.

The second largest contributing stock in the quarter was Argan, Inc (AGX). AGX, through its multiple subsidiaries, designs and builds energy plants. Its energy plants include traditional gas as well as alternative energy including biodiesel, ethanol, and renewable energy sources such as wind power and solar. AGX reported solid results and a strong backlog due to the increasing demand for power, which is being driven by the addition of AI data centers, the onshoring of manufacturing, and the expansion of EV use. AGX is at the intersection of multiple secular themes from both secularly rising power demand, as well as providing supply through clean/cleaner sources. Like BHE, while the fundamentals are improving, the stock price has had a large move upward, thus, we have been reducing AGX's weight in the portfolio. The portfolio continues to hold a small weight in AGX.

Selected Detractor(s) from Performance

The largest detracting stock in the quarter was Leggett & Platt (LEG). LEG manufactures components for bedding and residential furnishings, as well as office and institutional furnishings, retail store fixtures and displays, plus automotive seating suspension and lumbar systems. LEG has struggled recently amidst declining demand in its bedding segment as consumers reduce big ticket purchases combined with a secular move away from traditional spring mattresses. This led to declining fundamentals and ultimately a cut in the dividend, which caused additional pressure on the stock price as dividend-oriented funds and ETFs were forced to sell. This quarter, LEG changed CEO's by rehiring a previously successful CEO at the company to help turn it around. A restructuring effort is underway along with the plans to pay down debt from real estate sales. This combined with recent insider buying are encouraging signs that LEG can return to its normalized earnings power potential, and the shareholder turnover has left it at an attractive valuation. The portfolio maintains a position in LEG.

The second largest detracting stock in the quarter was Carter's, Inc (CRI). CRI is the largest branded marketer of apparel for babies and young children in the U.S. It sells through domestic stores under the Carter's and OshKosh brands as well as through the mass channel at Walmart and Target. The end customer for CRI has struggled recently as young couples' spending has been hampered by sticky high inflation, but they have not benefited from rising stock and home prices. CRI has managed this environment carefully by keeping inventory levels in check, but it is realizing that sales may have been left on the table with inventory levels that were too low. CRI has excellent brands and is a quality Consumer Discretionary name that tends to be more resilient than most Consumer Discretionary stocks in a slowing growth economy. If the higher inventory levels can lead to faster top-line growth, CRI's earnings should return to DCM's estimate of normalized earnings power. The portfolio maintains a position in CRI.

Current Positioning

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

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®). 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 Small Cap Value style uses value oriented equities, the majority of which have a market capitalization of less than \$4 billion at purchase. The strategy is typically invested 90%-100% in equity positions, and the number of holdings typically ranges between 60 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 7% 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 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 12/31/23. A firm-wide verification was performed for the periods 7/1/08 through 12/31/23. Data subsequent to 5/31/24 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.