DEAN Capital Management

Equity Income Commentary

Third Quarter 2024

Performance Comparison[1]

Periods Ended 9/30/24 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Equity Income (gross)	11.09	15.77	24.90	9.31	10.31	10.33	11.54
DCM Equity Income (net)	10.93	15.26	24.16	8.66	9.65	9.65	10.83
Russell 1000 Value[2]	9.43	16.68	27.76	9.03	10.69	9.25	10.68

Periods greater than 1 year are annualized
[1]DCM Equity Income inception was January 1, 2011
[2]Effective 1/1/19, the benchmark was changed from Russell 3000 Value to Russell 1000 Value. Benchmark returns presented reflect Russell 3000 Value for time periods prior to January 1, 2019.

Performance Summary

The DCM Equity Income composite gross total return was 11.09% in the third quarter of 2024, compared with the Russell 1000 Value Index 9.43%.

Broad market factors were a tailwind in the third quarter. Most importantly for Dean Equity Income relative performance, dividend yield was a strong contributor to returns. Additionally, quality factors such as higher profitability, lower earnings variability, and lower stock price volatility were helpful for portfolio returns this quarter. The portfolio's lower beta was a negative factor in the quarter due to the strong upward movement in most portfolio positions.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Utilities	13.2%	4.7%	8.5%	20.4%	18.4%	254 bps	96 bps
Information Technology	5.2%	9.0%	-3.9%	9.9%	4.1%	52 bps	53 bps
Energy	7.8%	7.1%	0.6%	1.5%	-2.9%	13 bps	30 bps
Materials	4.5%	4.5%	0.0%	14.7%	9.3%	66 bps	24 bps
Real Estate	10.4%	4.8%	5.6%	14.4%	16.7%	147 bps	16 bps
Communication Services	7.3%	4.2%	3.1%	10.7%	8.8%	78 bps	12 bps
Industrials	8.9%	14.4%	-5.5%	13.4%	11.5%	117 bps	4 bps
Consumer Discretionary	2.3%	6.1%	-3.8%	17.3%	12.2%	39 bps	0 bps
Financials	15.2%	21.4%	-6.2%	10.7%	10.4%	166 bps	0 bps
Consumer Staples	14.0%	8.0%	6.1%	9.3%	10.3%	131 bps	-7 bps
Health Care	9.4%	15.8%	-6.4%	6.1%	9.4%	59 bps	-30 bps

(see disclosures)

Utilities was the sector that most positively impacted performance in the third quarter. Security selection was positive with portfolio holdings outperforming the benchmark Utility sector. But the bigger impact was due to allocation as Utilities were both the largest sector overweight and the best performing sector in the quarter. Finally, the top two contributing securities this quarter, WEC Energy Corp (WEC) and Alliant Energy (LNT), are both Utilities and were up 23.7% and 20.3%. See below for further discussion of WEC and LNT.

The second biggest sector impact on third quarter performance was Information Technology. The portfolio was well underweight this underperforming sector and benefitted from strong stock selection. Cisco (CSCO) was up 13.0% in the quarter, and Texas Instruments (TXN) was up 6.9% while the Russell 1000 Value Information Technology sector was up 4.1%. The portfolio continues to be underweight the benchmark Information Technology weight and to hold CSCO and TXN.

Health Care was the portfolio's worst performing sector in the third quarter. The sector weight was modestly positive being underweight the underperforming sector, but stock selection was negative. Pharmaceutical giant Merck (MRK) was down –7.7% in the quarter reversing some of a strong year to date performance. See below for more discussion on Merck. Biotechnology and Pharmaceutical firms Amgen (AMGN) and Pfizer (PFE) also underperformed, up 3.9% and 4.8%, respectively. The portfolio continues to hold MRK, AMGN, and PFE.

The second worst sector in the quarter was Consumer Staples. Staples had a positive allocation effect with the portfolio overweight while the sector outperformed. However, stock selection was negative with several holdings underperforming the benchmark. Food product investments including confectioner Hershey (HSY), bread manufacturer Flowers Foods (FLO), and beverage and snack leader PepsiCo (PEP) underperformed, up 5.1%, 5.0%, and 3.9%, respectively. The portfolio continues to hold these positions and added to the PEP stake during the quarter.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	WEC ENERGY GROUP INC	3.03	67 bps
2	ALLIANT ENERGY CORP	2.85	55 bps
3	CANADIAN IMPERIAL BANK OF COMMERCE	1.89	53 bps
4	LOCKHEED MARTIN CORP	2.23	53 bps
5	DUKE ENERGY CORP	3.13	50 bps
6	XCEL ENERGY INC	2.24	49 bps
7	PHILIP MORRIS INTERNATIONAL INC	2.22	44 bps
8	ALTRIA GROUP INC	3.08	43 bps
9	PUBLIC STORAGE	1.66	43 bps
10	THE PNC FINANCIAL SERVICES GROUP INC	2.18	42 bps

	Top 10 Detractors	Average % Weight	Contribution
1	MERCK & CO INC	1.93	-16 bps
2	CHEVRON CORP	2.58	-13 bps
3	T ROWE PRICE GROUP INC	2.46	-12 bps
4	EOG RESOURCES INC	2.71	-3 bps
5	LKQ CORP	0.02	-2 bps
6	PPG INDUSTRIES INC	0.02	-2 bps
7	AMDOCS LTD	0.02	0 bps
8	ILLINOIS TOOL WORKS INC	0.02	0 bps
9	CASH	2.01	0 bps
10	UNITED PARCEL SERVICE INC	1.71	1 bps

Selected Contributor(s) to Performance

The highest contributing holding in the third quarter was WEC Energy Group Inc (WEC). WEC manages electric and natural gas distribution and transmission lines, as well as power plants, primarily in WI, IL, MI, and MN. The stock returned 23.7% in the quarter. The outperformance was largely driven by market sentiment shifting to a 'risk-off' stance as Utilities was by-far the largest sector outperformer. On the company level, WEC announced strong profitability on cost control measures enacted over the last few quarters. Management also announced a diversion of resources away from IL and towards more friendly regulatory environments in other states. The portfolio continues to maintain a position in WEC.

The second highest contributing holding was Alliant Energy Corp (LNT). LNT provides electricity, natural gas, and water to customers in IL, IA, MN, and WI. The stock returned 20.3% in the third quarter. LNT also benefitted from the risk-off environment in the quarter. Management also produced sound earnings results and maintained their full-year guidance for EPS. The portfolio continues to own LNT.

Selected Detractor(s) from Performance

The lowest contributing security in the quarter was Merck (MRK). Merck is a global health care company focused on prescription medicines, vaccines, biologic therapies, animal health, and consumer care products. The Company gave up -7.7% over the course of the quarter. The stock was down on its earnings report, with an EPS beat not enough to offset the full-year midpoint guidance cut to revenue and overall profitability. The cut was primarily due to weaker HPV vaccine sales of Gardasil, especially in China. With continued strong sales of flagship drug Keytruda and a healthy, and ramping, pipeline of drugs, the portfolio maintains its position in MRK.

The second biggest detractor in the third quarter was Chevron Corp (CVX). CVX is a globally integrated producer, refiner, and distributor of oil and gas products that lost -4.8% during the quarter. CVX's upstream segment sales missed on international weakness, while US sales met estimates and downstream margins remain under pressure. Its proposed takeover of HESS is heading to arbitration, clouding the outlook for future production, and oil prices broke through the $70 mark to the downside as macroeconomic growth fears seeped into the markets. With a diversified asset base globally producing end products that sell into multiple end markets with various cycles and one of the better balance sheets in the space, the portfolio added to its stake in CVX at the end of the quarter.

Current Positioning

The Equity Income portfolio continues to be overweight dividend yield and profitability broad factors while being most underweight beta, and volatility. Utility, Consumer Staples, and Real Estate are the largest overweight sectors. Financials, Health Care, and Industrials are the most underweight sectors relative to the benchmark Russell 1000 Value Index.

The economy continues along somewhat of a middle ground. There are numerous indications of healthy growth, such as strong GDP data, corporate profits and, of course, more stock market price records. On the other hand, inflation and employment fears as well as a stalled manufacturing environment indicate that there are clouds on the horizon. Investor excitement about the potential of artificial intelligence is meeting the reality that any benefits will come with significant upfront investment and uncertain profits. So where does that leave us? We believe it is actually quite a comfortable place for the Dean Equity Income strategy. We are fully invested in healthy businesses that participate in strong economic growth but have the financial wherewithal to comfortably withstand a recession or other economic shocks. The portfolio continues to generate significant dividend income while growing dividends well above inflation.

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 Equity Income style is a fully invested style of primarily large cap stocks 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.

Effective 1/1/19, the benchmark was changed from Russell 3000 Value to Russell 1000 Value to provide a better represenation of the investment strategy. The Russell 1000 Index measures the performance of the large-cap segment and includes approximately 1000 securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 93% of the Russell 3000 Index. The Russell 1000 Value Index measures the performance of those Russell 1000 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 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 1/1/11 through 12/31/23. A firm-wide verification was performed for the periods 7/1/08 through 12/31/23. Data subsequent to 8/31/24 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.