DEAN Capital Management

Equity Income Commentary

Second Quarter 2025

Performance Comparison[1]

Periods Ended 6/30/25 (%)	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	S. I.[1]
DCM Equity Income (gross)	-0.33	3.66	11.45	8.13	11.77	10.07	10.94
DCM Equity Income (net)	-0.48	3.35	10.79	7.48	11.11	9.40	10.23
Russell 1000 Value[2]	3.79	6.00	13.70	12.76	13.93	9.16	10.40

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 -0.33% in the second quarter of 2025, compared with the Russell 1000 Value Index up 3.79%.

The second quarter of 2025 presented significant headwinds for the portfolio, a sharp reversal from the previous quarter. The market experienced a strong “risk-on” rally, heavily favoring high-growth, speculative stocks, particularly in the technology sector. This environment meant that the portfolio’s emphasis on lower beta, lower volatility, and higher dividend yields — typically defensive characteristics — negatively impacted performance. Almost every style factor within the Dean Equity Income portfolio underperformed relative to its benchmark, the Russell 1000 Value Index, as the market leadership shifted away from stable, income-generating assets towards aggressive growth.

Sector Drivers

GICS Sectors	Average Weight			Stock Level Returns		Portfolio Impact	
	Port	Bench	Active	Port	Bench	Contribution	Attribution
Health Care	8.5%	13.7%	-5.2%	-9.9%	-8.7%	-95 bps	60 bps
Real Estate	9.9%	4.7%	5.2%	5.0%	-1.1%	49 bps	35 bps
Financials	14.2%	23.5%	-9.3%	8.8%	6.9%	127 bps	-2 bps
Energy	7.1%	6.5%	0.6%	-7.6%	-7.6%	-62 bps	-9 bps
Materials	4.8%	4.2%	0.7%	-1.4%	3.3%	-5 bps	-22 bps
Consumer Discretionary	3.7%	5.9%	-2.2%	-4.8%	4.3%	-18 bps	-33 bps
Communication Services	5.5%	4.6%	1.0%	-2.7%	4.0%	-16 bps	-37 bps
Information Technology	6.6%	9.0%	-2.4%	8.8%	15.7%	67 bps	-68 bps
Utilities	12.4%	4.9%	7.5%	-3.2%	1.3%	-48 bps	-70 bps
Consumer Staples	14.3%	8.4%	5.9%	-4.7%	1.9%	-71 bps	-108 bps
Industrials	9.8%	14.8%	-5.0%	1.2%	13.5%	22 bps	-162 bps

(see disclosures)

Health Care was the largest positive impact in the second quarter. Allocation was the primary driver of the strong performance as the Equity Income portfolio was significantly underweight Health Care while it was the worst performing sector in the benchmark. The healthcare sector underperformed in Q2 2025 due to policy uncertainty, particularly around drug pricing and Medicare Advantage reimbursement rates. The struggles of major players like UnitedHealth Group, grappling with mispriced plans and fraud allegations, significantly dragged down the sector. Additionally, rising medical costs and persistent workforce shortages further squeezed profit margins for healthcare providers and insurers.

The Real Estate sector emerged as the second best performing sector during the quarter, with strong stock selection being the primary driver of this success. Digital Realty Trust (DLR), a global leader in data centers, surged by 22.5%, while Lamar Advertising (LAMR), a prominent outdoor advertising company, returned 8.1%, and American Tower Corp (AMT), a leading independent owner and operator of wireless communications infrastructure, gained 3.2%. All three holdings significantly outperformed the Real Estate sector in the second quarter. Further details regarding Digital Realty Trust’s performance are provided below. The portfolio maintains its positions in DLR, LAMR, and AMT.

The Industrial sector was portfolio's worst performing sector in the second quarter. Allocation was the primary driver of relative weakness with Industrials outperforming the benchmark and the Dean Equity Income portfolio underweight the group. The Industrial sector outperformed the Russell 1000 Value Index in Q2 2025 due to a renewed market optimism as tariff concerns eased and economic sentiment improved. Stronger business investment and positive earnings reports benefited industrial companies, especially in aerospace, defense, and infrastructure. This coincided with a broader market shift favoring growth and cyclical stocks over traditional value.

The second worst sector for the Equity Income portfolio was Consumer Staples. Stock selection drove the underperformance with several holdings down in the quarter. PepsiCo (PEP, -11.0% in the second quarter), Kimberly-Clark (KMB, -8.5%), and other consumer product company stocks underperformed in Q2 2025 primarily due to continued pressures from rising input costs, including tariffs on ingredients and packaging materials like aluminum, which squeezed profit margins. Additionally, a broader market shift favoring growth and speculative stocks over defensive sectors like consumer staples, coupled with evolving consumer preferences driven by factors like GLP-1 drugs impacting food consumption, further contributed to their underperformance.

Top 10 Contributors/Detractors

	Top 10 Contributors	Average % Weight	Contribution
1	JPMORGAN CHASE & CO	3.19	0.59
2	DIGITAL REALTY TRUST INC	2.10	0.42
3	CANADIAN IMPERIAL BANK OF COMMERCE	1.33	0.32
4	CISCO SYSTEMS INC	2.44	0.28
5	TEXAS INSTRUMENTS INC	1.71	0.28
6	BLACKROCK INC	1.94	0.23
7	FASTENAL CO	2.60	0.22
8	LAMAR ADVERTISING CO A	2.37	0.19
9	PNC FINANCIAL SERVICES GROUP	2.06	0.15
10	T ROWE PRICE GROUP INC	2.00	0.13

	Top 10 Detractors	Average % Weight	Contribution
1	CHEVRON CORP	3.00	(0.48)
2	BRISTOL-MYERS SQUIBB CO	1.12	(0.32)
3	PEPSICO INC	2.44	(0.27)
4	KIMBERLY-CLARK CORP	2.53	(0.25)
5	JOHNSON & JOHNSON	3.15	(0.24)
6	LKQ CORP	1.51	(0.20)
7	ALLIANT ENERGY CORP	2.03	(0.19)
8	AMGEN INC	1.74	(0.19)
9	EOG RESOURCES INC	2.89	(0.19)
10	UNITED PARCEL SERVICE CL B	0.10	(0.18)

Selected Contributor(s) to Performance

The highest contributing holding in the second quarter was JPMorgan Chase (JPM). JPM is a global financial services business offering retail banking, investment banking, asset management, card member services, and commercial banking, amongst other services. The stock returned 19.0% in the quarter as management reported sound earnings and conservative, but positive, guidance just after the early April, tariff-induced nadir, when uncertainty was highest. By mid-May, at the company's investor day, management cited strong balance sheet growth offsetting the potential for lower rates alongside tech and AI investments that should yield $18 billion in productivity savings. Finally, in early June, Michelle Bowman was appointed to be the Vice Chair of Supervision for the Federal Reserve, a move met with positive reactions in the banking world as capital regulations are expected to ease, and M&A reviews and approvals should be faster and more transparent. The portfolio continues to hold JPM on sound fundamentals and an improving regulatory backdrop.

Digital Realty Trust (DLR), a prominent global provider of data center, colocation, and interconnection solutions, emerged as the portfolio's second largest contributor in the second quarter. After experiencing some investor apprehension in Q1 due to a slowdown in planned investments from major tech companies, DLR rebounded strongly, delivering a 22.5% return. This impressive performance was fueled by robust earnings and optimistic forward guidance, with 85% of new bookings incorporating price escalators of 4% or more and an anticipated 100-200 basis point improvement in occupancy this year, providing increased transparency into future growth. With a record backlog and strong market demand for undersupplied data center capacity, the portfolio continues to hold DLR, anticipating a long runway for continued growth.

Selected Detractor(s) from Performance

The largest detractor was Chevron (CVX). CVX is a globally integrated producer, refiner, and distributor of oil and gas products that lost -13.4% during the quarter. While top line revenue beat estimates for the first quarter, profitability was much weaker as both segments were dealing with headwinds related to pricing and demand amidst all of the uncertainty introduced by Trump's "Liberation Day" tariff announcements. Management announced that it was reducing its share repurchase authorization by 30% quarter-over-quarter, and lower year-over-year as well, which also contributed to the stock sell-off. With its pending acquisition of Hess, strong capital position, and integrated operations, CVX is well-positioned to further enhance its moat despite near-term uncertainty. The portfolio continues to own CVX.

The second worst detractor was Bristol Myers Squibb (BMY). BMY is a global biopharmaceutical company with products in the cardiovascular and oncology treatment end markets, among others. BMY fell -23.3% in the second quarter. While management announced solid earnings for the first quarter, they declined to provide expected trough profitability metrics as the company's main drugs face a patent cliff near the end of the decade. This led to some consternation amongst investors. Furthermore, the FDA named an industry critic as its top regulator, leading to fears of increased regulatory burdens and costs across the industry. All of this combined with a poor earnings announcement from a close competitor weighed on the share price. With a strong balance sheet and a variety of drugs in its pipeline at various stages of clinical trials, the portfolio continues to own BMY.

Current Positioning

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

The economic outlook faces a rising risk environment, primarily driven by the escalating impact of tariffs. These import taxes are increasingly being passed on to consumers, leading to higher consumer prices across a range of goods, from groceries to automobiles. As households grapple with diminished purchasing power, this inflationary pressure is expected to reduce consumer spending, a critical driver of economic growth. Compounding this, businesses facing increased input costs from tariffs and a slowdown in demand are likely to curb hiring, potentially leading to increasing unemployment, further dampening consumer confidence and spending power, creating a challenging feedback loop for the economy. It is with these risks in mind that we feel comfortable with the portfolio's defensive positioning.

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 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 12/31/24. A firm-wide verification was performed for the periods 7/1/08 through 12/31/24. Data subsequent to 5/31/25 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.