

Portfolio Commentary

Mid-Cap Value Equity

MARKET REVIEW

After a volatile 2022, U.S. stock markets were off to a strong start in the first quarter, driven largely by price/earnings expansion as investors became willing to pay more for company profits. Growing focus on looming recession risks drove bond yields lower, shifting attention back to stocks, particularly large-cap securities and mega-cap technology names.

However, as economic slowdown concerns continued to mount, value securities came under increasing pressure, compressing some of their earlier quarter gains. Market anxiety was further escalated by turmoil in the banking segment and stubbornly higher-than-expected inflation numbers that suggested the Federal Reserve (Fed) was likely to continue its tightening cycle.

The Russell Midcap® Value Index rose 1.32% in the period, with the largest sector increases in information technology (+11.23%), communication services (+7.33%), and industrials (+6.69%). Utilities (-1.68%), energy (-7.06%), and financials (-8.37%) were laggards.

PERFORMANCE

The Ceredex Mid-Cap Value Equity Composite returned -0.25% gross/-0.44% net for the quarter versus the Russell Midcap Value Index's return of +1.32%. The largest performance detractors included: healthcare stock selection, primarily due to two stock holdings, Azena, discussed below, and Universal Health Services, which lagged on conservative forward-looking guidance; industrials stock selection, where several capital goods holdings disappointed; materials stock selection, given our exposure to companies experiencing inventory destocking pressures; and an underweight information technology position, where we continue to wait for semiconductor valuations to become more attractive relative to fundamentals, since this is the technology segment where dividend payers (a holdings requirement for the Strategy) are more typically found.

Strong performance contributors included: consumer staples stock selection, where we saw strong rebounds in several stocks that we purchased after they were oversold on earnings resets driven by inventory pressures; and real estate stock selection, where we had found attractive value in real estate investment trusts (REIT) that were pressured amid rising interest rates.

Kroger and Marvell Technology were among the strongest stock contributors to relative performance.

- Supermarket operator Kroger rallied on earnings strength and an upbeat annual profit outlook. The company also advanced store divestiture plans it hopes will alleviate concerns from some U.S. regulators and consumer advocacy groups about its proposed Albertsons acquisition, which should prove to be accretive if the deal closes. We trimmed the position on the gains but continued to hold the stock.

Portfolio Characteristics

	Strategy	Benchmark
Market Cap (\$b)	26.9	20.2
Dividend Yield (%)	2.0	2.1
Price-to-Earnings (FY1)	16.5x	14.3x
Price-to-Book	2.2x	2.1x
Price-to-Sales	1.6x	1.3x
Std. Dev. (3 yr) (%)	18.46	19.76
Alpha (3 yr) (%)	0.63	0.00
Beta (3 yr)	0.91	1.00
Std. Dev. (5 yr) (%)	21.15	21.47
Alpha (5 yr) (%)	0.92	0.00
Beta (5 yr)	0.97	1.00

Portfolio characteristics are based on gross returns where applicable. See net returns presented on performance comparison page with regulatory required time periods.

Top Contributors^{1,2} (%)

	Average Weight	Relative Attribution
Kroger Co.	1.1	0.3
Marvell Technology, Inc.	1.5	0.2
Skyworks Solutions, Inc.	1.3	0.2
Rexford Industrial Realty, Inc.	2.3	0.2
Extra Space Storage Inc.	2.3	0.2
Clorox Company	1.2	0.2
Lennar Corporation Class A	1.3	0.2
Toll Brothers, Inc.	0.7	0.2
Colgate-Palmolive Company	1.0	0.1
Global Payments Inc.	1.7	0.1

Top Detractors^{1,2} (%)

	Average Weight	Relative Attribution
Azena, Inc.	1.9	-0.5
First Republic Bank	1.1	-0.5
PNC Financial Services Group, Inc.	1.9	-0.4
Allstate Corporation	2.4	-0.4
Chesapeake Energy Corporation	1.6	-0.3
Macy's, Inc.	1.1	-0.3
Cullen/Frost Bankers, Inc.	1.1	-0.2
International Flavors & Fragrances Inc.	0.8	-0.2
Universal Health Services, Inc. Class B	1.4	-0.2
SBA Communications Corp. Class A	2.4	-0.2

Relative attribution: excess return relative to the benchmark, limited to stocks held in the portfolio.

Top 10 Holdings¹ (% of Portfolio)

PerkinElmer, Inc.	2.5
Zimmer Biomet Holdings, Inc.	2.5
Hess Corporation	2.5
Allstate Corporation	2.5
SBA Communications Corp. Class A	2.3
Marvell Technology, Inc.	2.3
Skyworks Solutions, Inc.	2.3
Humana Inc.	2.2
American Homes 4 Rent Class A	2.1
Sherwin-Williams Company	2.1

All data as of 03/31/23. Source: FactSet.

¹ See Holdings Disclosure on page 3.

² 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 quarter and the calculation methodology, please call 407-674-1270. See GIPS Composite Report on Page 4.

- Data infrastructure semiconductor firm Marvell Technology is an example of a low expectation stock that has offered attractive buying opportunities for the portfolio that paid off this quarter. The company has been navigating an inventory correction that appears to be near completion. We continued to buy the stock on the dips, which has proven to be additive to performance given the quarter's strong flows into technology.

Azenta and First Republic Bank were among the largest stock detractors from relative performance.

- Diversified life sciences firm Azenta, a top performer last quarter, lagged on soft revenue and earnings guidance, as well as exposure to China, which was challenged as a wave of new cases of the virus has worked through the country following its economic reopening. We held steady with the stock, as we expect it to recover.
- Shares of financial institution First Republic Bank tumbled in the wake of the collapse of Silicon Valley Bank, as investors feared it might be next to suffer a destabilizing liquidity run. We exited the position due to the stock's uncertainty.

PORTFOLIO CHANGES

New holdings included Macy's and U.S. Bancorp. In addition to First Republic Bank, we exited Target.

- We bought department store Macy's, which has cleaned up its balance sheet and has shown real inventory discipline.
- We purchased super regional bank U.S. Bancorp at what appeared to be a very attractive valuation given its strong fundamentals.
- We exited big-box retailer Target after the stock reached our price target.

ATTRIBUTION (%) AS OF 03/31/23

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	0.0	3.3	-0.2	0.0	-0.2
Consumer Discretionary	6.7	10.1	-0.2	-0.1	-0.3
Consumer Staples	5.1	4.5	0.3	0.6	0.9
Energy	5.7	5.0	0.0	0.0	-0.1
Financials	16.5	17.0	0.3	-0.5	-0.2
Healthcare	10.9	7.4	-0.1	-0.8	-0.9
Industrials	18.7	16.9	0.1	-0.5	-0.5
Information Technology	5.8	8.7	-0.3	0.0	-0.3
Materials	9.1	7.8	0.0	-0.3	-0.3
Real Estate	10.2	10.4	0.0	0.3	0.3
Utilities	11.4	8.9	0.1	-0.2	-0.1
Total			0.1	-1.7	-1.6

Source: FactSet.

Attribution does not incorporate the effects of cash, unclassified securities, or expenses and may change at any time without notice. The total impact may not equal the difference between Portfolio and Benchmark returns.

Attribution is based on gross returns, see net returns presented on performance comparison page.

OUTLOOK

At this point in the cycle, our focus has remained squarely on earnings and whether companies have been successfully able to reset investor expectations lower. One of our biggest concerns is if sticky input cost increases are likely to continue pressuring margins—and by how much.

Inflation is beginning to soften, just not as quickly as markets expected. Consequently, it looks like the Fed may be approaching the end of its interest rate hikes, although we think investors hoping for cuts anytime soon may be disappointed.

On the plus side, we still are not seeing much sign of broad recession. While macro risks remain elevated and business confidence is relatively low, consumers remain generally strong and continue to spend. The labor market has continued to be resilient, albeit softening, and layoffs largely have been centered around a handful of sectors. It appears that the economy may be more realistically facing a rolling recession scenario that works through select industries, as has been the case for the past several quarters.

This has offered us the opportunity to invest in a number of oversold stocks in beaten-up market segments at what appear to be very attractive valuations. Indeed, our fundamental research continues to identify considerable investment potential as market expectations have lowered and stock correlations have started to expand.

PERFORMANCE COMPARISON (%) AS OF 03/31/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Mid-Cap Value Equity Composite (Gross)	-0.25	-0.25	-7.76	19.48	7.26	9.38
Mid-Cap Value Equity Composite (Net)	-0.44	-0.44	-8.46	18.60	6.46	8.57
Russell Midcap® Value Index	1.32	1.32	-9.22	20.69	6.54	8.80
eVestment Alliance Midcap Value Median*	1.54	1.54	-5.67	22.41	7.26	9.35
# of Portfolios in Median Calculation	183	183	182	176	166	146

eVestment Alliance data capture date: 4/24/23

Past performance is not indicative of future results. This presentation is solely for SUPPLEMENTAL INFORMATION purposes, intended for institutional investors and may not be provided unless accompanied or preceded by the fully compliant GIPS Composite Presentation. The comparative performance contained herein reflects annualized returns for specific time period, are not indicative of actual annual returns, and may not be relied upon for investment decisions. Complete information regarding Ceredex's returns are included on the GIPS presentation on page 4. The performance inception date for the composite is 4/1/02.

Russell Midcap® Value Index is an unmanaged index which measures the performance of those securities found in the Russell Midcap universe with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. Investors cannot invest directly in an index.

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*eVestment Alliance (eA) is a manager-reported database on hundreds of investment managers and thousands of investment products covering a full range of asset classes, investment styles, and geographic concentrations. Based on manager input, eA independently constructs universes using qualitative and quantitative factors. The investment products are organized into peer groups and assessed on an ongoing basis to ensure the consistency of a product's attributes within a designated style classification. In addition, eA utilizes style analysis tools, performance analytics, and the review of a product's investment strategy narrative in the construction of wide-ranging universes that are both pure in style and consistent over time.

The eVestment Number of Portfolios represents the number of investment products included in the calculation of the median return for the given eVestment universe for the given time period. Individual investment managers may have more than one investment product included in the universe, so the number of observations will likely be greater than the actual number of investment managers represented.

HOLDINGS DISCLOSURE

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's portfolio at the time you receive this report or that securities sold have not been repurchased. 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.

Dividends reflect past performance and there is no guarantee they will continue to be paid.

IMPORTANT RISK CONSIDERATIONS

Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk. **Value Stocks:** Value stocks are subject to the risk that the broad market may not recognize their intrinsic value. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

For information, contact:

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MID-CAP VALUE EQUITY COMPOSITE 4/1/02 – 3/31/23

Year	Gross of Fee Return (%)	Net of Fee Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Dispersion (%)	3-Year Standard Deviation		Total Composite Assets at End of Period (USD Millions)	Total Firm Assets (USD Millions)
						Composite	Benchmark		
2022	-13.07	-13.73	-12.03	6	N/A	24.19	24.44	3,096	6,767
2021	30.26	29.31	28.34	7	N/A	22.25	21.95	4,446	9,548
2020	-0.22	-0.97	4.96	8	N/A	22.91	22.62	3,851	8,175
2019	34.43	33.45	27.06	8	N/A	12.80	12.79	4,600	9,062
2018	-6.84	-7.54	-12.29	10	0.04	12.02	11.96	3,149	7,722
2017	12.75	11.91	13.34	11	0.14	11.55	10.32	3,664	10,095
2016	21.40	20.51	20.00	10	0.21	12.62	11.30	3,763	10,845
2015	-4.94	-5.65	-4.78	12	0.08	11.77	10.71	4,274	10,227
2014	12.26	11.33	14.75	12	0.06	10.83	9.81	5,027	12,269
2013	32.65	31.68	33.46	12	0.15	16.52	13.69	4,432	11,693
2012	23.07	22.15	18.51	9	N/A	20.63	16.76	2,857	8,740

- Compliance Statement.** Ceredex Value Advisors LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Ceredex Value Advisors LLC has been independently verified for the periods of March 31, 2008 (the date of the Firm's founding) through December 31, 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
- Definition of the Firm.** Ceredex Value Advisors LLC ("Ceredex") is an SEC-registered investment adviser and is a wholly owned subsidiary of Virtus Investment Partners, Inc. ("Virtus"). Registration of an investment adviser does not imply any level of skill or training. Ceredex manages assets on behalf of institutional separate accounts, and pooled investment vehicles. Ceredex became an affiliate of Virtus effective June 1, 2017, when Virtus acquired RidgeWorth Capital Management LLC and RidgeWorth Investments ("RidgeWorth"). Ceredex was created March 31, 2008, when all of the investment decision-makers associated with the value equity investment strategies of RidgeWorth became employees of Ceredex. The staff and decision-making process remained intact and independent within Ceredex. For composite reporting purposes, the Firm is defined as all equity portfolios managed by Ceredex. Composite performance results are linked to performance history generated at RidgeWorth.
- Composite Description.** The Mid-Cap Value Strategy composite includes all fully discretionary accounts managed in accordance with the mid cap value style with the objective of producing long-term capital appreciation and income. Under normal circumstances, Mid-Cap Value Portfolios will have at least 80% of their net assets invested in U.S. traded equity securities of mid-cap companies. U.S. traded equity securities may include American Depositary Receipts ("ADRs"). Ceredex considers mid-cap companies to be companies with market capitalizations similar to those of companies in the Russell Midcap Index. In selecting investments for the portfolios, Ceredex chooses companies that it believes are undervalued in the market relative to the industry sector and the company's own valuation history. Key material risks: Stock prices will decline, and the composite will underperform its benchmark. The minimum portfolio size for the Mid-Cap Value Strategy composite is \$1,000,000.
- Benchmark.** The benchmark for the Mid-Cap Value Strategy composite is the Russell Midcap® Value Index. The Russell Midcap® Value Index is an unmanaged index which measures the performance of those securities found in the Russell Midcap universe with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000® Value Index. The index is calculated on a total-return basis with dividends reinvested. Index returns do not reflect the deduction of any fees or expenses.
- Returns and Fees.** Returns are calculated based on total return which (a) includes cash returns, realized and unrealized gains plus income, and reinvestment of dividends and other earnings; (b) utilizes trade date and accrual accounting; and (c) is after the deduction of actual trading fees and expenses. Portfolio returns are calculated utilizing daily valuation. Composite returns, calculated monthly, are the weighted average return of the underlying portfolios using beginning-of-period market values. Composite gross of fee returns do not reflect any deduction for investment advisory fees, custodial charges, or other costs that a client might incur in connection with the management of an account. Investment advisory fees are described in Part 2 of the firm's Form ADV. Prior to September 1, 2015, the gross of fee return for the mutual fund was calculated by adding back the fund's published total operating expense ratio to the net of fee mutual fund performance; we now use the gross of fee return of the underlying portfolio. Composite net of fee performance is calculated assuming a fee of 0.75%, the highest fee for this type of investment account.
- Fee Schedule.** The standard management fee schedule applicable to mid-cap value accounts is as follows: 0.75% on the first \$10 million, 0.65% on the next \$40 million, 0.55% on the next \$50 million, and 0.50% on all over \$100 million. The minimum annual fee is \$15,000. Actual investment advisory fees incurred by clients may vary. For further information on investment management fees, please refer to Form ADV Part 2.
- Ex Post Standard Deviation.** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. No three-year annualized standard deviations are reported for periods less than 3 years (shown as N/A).
- Composite Dispersion.** The dispersion of annual or YTD returns is measured by the equal-weighted standard deviation of portfolio gross returns represented within the composite for the full year or period. No dispersion is reported for periods with five or fewer portfolios (shown as N/A).
- Currency.** Valuations and returns are computed and stated in U.S. Dollars.
- Composite Creation and Inception Date.** This composite was created March 31, 2008, the inception date of Ceredex, and continues the investment strategy of a composite originally created in 2007. The composite has performance history with an inception date of April 1, 2002.
- Significant Cash Flow Policy.** Beginning March 31, 2008, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 10% or greater of portfolio assets.
- Availability of Information.** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. A list of all composite investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy.
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