

Portfolio Commentary

Mid-Cap Value Equity

MARKET REVIEW

Mid-cap value stocks broadly continued to rise in the second quarter, albeit at a slower pace than in the first quarter. The Russell Midcap® Value Index gained 5.66%, with increases across most sectors, the largest of which were in energy (+14.83%) and real estate (+10.32%). Only utilities (-0.16%) experienced a decline.

Markets were once again driven by a volatile macro environment. The lower-quality value rally that began late last year, as investors cheered COVID-19 vaccine rollouts and economic reopenings, continued with abandon early in the quarter. However, investors aggressively reversed course to a more defensive growth focus when bond prices jumped and yields sharply declined. Concerns mounted that a virus resurgence with the Delta variant, plateauing vaccination rates, a slowing economic recovery in China, and a potentially more hawkish Fed amid mounting U.S. inflation flareups could all risk derailing global growth prospects. The result was a much bumpier but still generally upward ride as value markets navigated these concerns.

PERFORMANCE

For the quarter, the Ceredex Mid-Cap Value Equity Composite's return of 7.47% (gross)/7.28% (net) outperformed the Russell Midcap Value Index's return of 5.66%. Stock selection in industrials, financials, and healthcare added the most to performance. An underweight in real estate and stock selection in utilities and energy weighed the most on returns.

PerkinElmer and Vertiv Holdings were among the strongest stock contributors to relative performance.

- Life science equipment manufacturer PerkinElmer rebounded after lagging last quarter. The stock outperformed much of last year on demand for COVID-19 testing but sold off on worries that profits might diminish as vaccines were rolled out. Shares bounced back as it became increasingly clear that COVID testing was likely here to stay for now and that reopening economies would likely spark increased demand for the company's other offerings. From its windfalls in testing, the company also made acquisitions that should help enhance growth and further diversify its business. We added to the position based on this strong outlook.
- Data center equipment firm Vertiv Holdings outperformed on higher-than-expected earnings driven by gains in technology spending. The stock has been a strong performer since we purchased it, and we took no action with the position as we believe it has a long runway for additional upside.

Portfolio

Characteristics	Strategy	Benchmark
Market Cap (\$b)	27.7	20.8
Dividend Yield (%)	1.2	1.6
Price-to-Earnings (FY1)	19.6x	17.5x
Price-to-Book	3.0x	2.4x
Price-to-Sales	2.8x	1.8x
Std. Dev. (3 yr) (%)	12.1	11.0
Alpha (3 yr) (%)	3.0	1.9
Beta (3 yr)	4.5	4.0
Std. Dev. (5 yr) (%)	8.0	7.2
Alpha (5 yr) (%)	50	695
Beta (5 yr)	1.0	1.0

Top Contributors ^{1,2} (%)	Average Weight	Relative Attribution
Capital One Financial Corporation	1.7	0.5
Vertiv Holdings Co. Class A	1.9	0.5
Freeport-McMoRan, Inc.	1.2	0.5
Marvell Technology, Inc.	3.0	0.5
PerkinElmer, Inc.	3.1	0.4
Synchrony Financial	2.4	0.3
Motorola Solutions, Inc.	3.2	0.3
SBA Communications Corp. Class A	2.8	0.2
EOG Resources, Inc.	2.2	0.2
Agilent Technologies, Inc.	2.6	0.2

Top Detractors ^{1,2} (%)	Average Weight	Relative Attribution
Citrix Systems, Inc.	2.7	-0.6
Global Payments Inc.	3.6	-0.4
Eversource Energy	1.5	-0.1
American International Group, Inc.	0.9	-0.1
PacWest Bancorp	0.7	-0.1
Columbia Sportswear Company	0.9	-0.1
CMS Energy Corporation	1.2	-0.1
Ashland Global Holdings, Inc.	1.8	-0.1
Hartford Financial Services Group, Inc.	1.2	-0.1
FMC Corporation	1.8	-0.1

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

Top 10 Holdings¹ (% of Portfolio)

NXP Semiconductors NV	4.0
Global Payments Inc.	3.6
PerkinElmer, Inc.	3.3
Humana Inc.	3.3
KLA Corporation	3.1
Motorola Solutions, Inc.	3.0
Marvell Technology, Inc.	3.0
Zimmer Biomet Holdings, Inc.	2.9
Synchrony Financial	2.8
Citrix Systems, Inc.	2.8

All data as of 6/30/21. 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.

Citrix Systems and Global Payments were among the largest stock detractors from relative performance.

- Software company Citrix Systems had been a beneficiary of work-from-home mandates, but investors lost interest in the stock during the quarter as economies continued to open. Its margins have also been squeezed short term by a migration to cloud computing. We added to our position on the price weakness as overall fundamentals remain solid.
- Financial technology firm Global Payments reported solid earnings, but shares lagged due to general segment softness, as investors were largely more attracted to businesses with greater operating leverage. We took advantage of the underperformance to add to our position. The company is well-positioned long term, and its leading-edge touchless technology should benefit from increased point-of-sales transactions as economies open.

PORTFOLIO CHANGES

Notable portfolio changes included purchasing Fortive and Juniper Networks and exiting Capital One Financial and Freeport-McMoRan.

- We bought industrial technology conglomerate Fortive, which had spun-off some of its lower-quality businesses and is well-positioned to make higher-quality, more additive acquisitions.
- We purchased telecommunications equipment company Juniper Networks on expectations that businesses should start to increase network capital expenditures after largely being placed on hold during pandemic lockdowns.
- During the quarter, we bought mining company Freeport-McMoRan when it had been oversold earlier in the year and exited the position after shares sharply rebounded, realizing attractive profits.
- We sold bank holding company Capital One Financial, which has been a strong long-term performer for the Fund. The company remains fundamentally solid; however, its market capitalization has outgrown the mid-cap segment.

PERFORMANCE ATTRIBUTION (%) AS OF 6/30/21

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	0.0	4.2	0.1	0.0	0.1
Consumer Discretionary	9.0	10.9	0.1	0.2	0.3
Consumer Staples	0.0	4.2	0.1	0.0	0.1
Energy	4.1	5.1	0.0	-0.1	-0.1
Financials	16.4	16.1	-0.1	0.4	0.2
Healthcare	11.5	8.8	0.1	0.4	0.5
Industrials	18.2	16.0	0.0	0.9	0.9
Information Technology	23.4	9.7	0.0	0.0	-0.1
Materials	9.9	7.3	0.3	-0.1	0.2
Real Estate	3.5	10.5	-0.2	0.1	-0.2
Utilities	4.1	7.0	0.1	-0.2	-0.1
Total			0.4	1.5	1.9

Source: FactSet.

Performance 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.

OUTLOOK

With the U.S. economy in full reopening mode, corporate profit growth should be able to continue in a robust fashion that supports further stock valuation gains. The question is really about inflation and whether recent spikes are transitory or potentially stickier, which may prompt global central bank tightening just as fiscal stimulus measures are falling dramatically. For now, business confidence remains high, which can be extremely important for capital expenditures and hiring. Consumers, largely flush with cash, also do not appear overly concerned by recent inflation, but it remains to be seen if further increases might start to erode this confidence. Against this backdrop, we continue to find attractive long-term value potential, particularly in higher-quality cyclical stocks, which offer tremendous operating leverage and should benefit from strong demand and easing supply-chain pressures.

PERFORMANCE COMPARISON (%) AS OF 6/30/21

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Mid-Cap Value Equity Composite (Gross)	7.47	20.09	50.57	13.21	14.28	12.16
Mid-Cap Value Equity Composite (Net)	7.28	19.65	49.48	12.37	13.43	11.34
Russell Midcap® Value Index	5.66	19.45	53.06	11.86	11.79	11.75
eVestment Alliance Midcap Value Median*	4.92	19.91	53.16	11.97	12.79	11.79
# of Portfolios in Median Calculation	94	94	94	91	90	81

eVestment Alliance data capture date: 7/20/21

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 or medium-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:** Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.

For information, contact:

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MID-CAP VALUE EQUITY COMPOSITE 4/1/02 – 6/30/21

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		
2021 YTD	20.09	19.65	19.45	7	N/A	23.19	22.98	4,339	9,154
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	21.4	20.51	20	10	0.21	12.62	11.3	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
2011	-6.31	-7.01	-1.38	4	N/A	23.75	22.78	1,940	6,493

- 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, 2020. 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 and retail separate accounts and mutual funds. 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; (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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