

Portfolio Commentary

Small Cap Value Equity



MARKET REVIEW

Rapid surges in 10-year U.S. Treasury yield, the U.S. dollar, and oil prices dramatically changed the market landscape during the third quarter as investors began pricing in expectations for a “higher for longer” interest rate environment. U.S. value stocks generally moved lower, with interest rate sensitive and cyclical sectors suffering the largest declines. The Russell 2000® Value Index fell 2.96% in the quarter. The largest sector losses were in healthcare (-16.03%), information technology (-11.85%), and utilities (-11.67%). Energy (+18.48%) and financials (+1.02%) were the only sectors to gain in the period.

The quarter ended much differently than it began, when markets were largely optimistic that the Federal Reserve (Fed) might soon shift into an easing cycle after orchestrating a soft economic landing. However, that optimism began to shift in August and then sharply fade in September as the Fed made it clear that it planned to maintain its hawkish bias given that inflation had moderated but continued to remain at uncomfortable levels. The U.S. economy appeared largely to shrug off the prospects of prolonged higher rates and continued to grow at a modest pace, supported by a cooling but still-healthy job market and resilient consumer spending.

PERFORMANCE

The Ceredex Small Cap Value Equity Composite returned -1.45% gross/-1.69% net for the quarter, outperforming the Russell 2000 Value Index’s return of -2.96%. The largest performance contributors included: an underweight and stock selection in healthcare, given our focus on higher-quality, dividend-paying stocks; stock selection in financials, largely due to an emphasis on higher-quality banks and property and casualty insurers; consumer discretionary stock selection, where we were less exposed to the types of cyclical names that tended to underperform in the quarter; and utilities stock selection, mainly due to the strong performance of Vistra, discussed below.

The largest performance detractors included: industrials stock selection, due to exposure to cyclical stocks that generally were out-of-favor in the quarter but remain well positioned to benefit from positive capex trends; real estate stock selection, given our preference for higher-quality, higher-yielding real estate investment trusts (REITs) that tended to suffer more in the runup of U.S. Treasury yields; and materials stock selection, where higher rates also weighed on several cyclical positions.

NOV and Vistra were among the strongest stock contributors to relative performance.

- NOV, which makes equipment for oil and gas drilling and production, rose on earnings and revenue strength driven by strong capex spending and overall energy sector momentum. We trimmed the position given the price gains but continued to hold the stock based on its strong fundamentals and favorable outlook.
- Power generation company Vistra outperformed on higher-than-expected earnings and revenue from increased demand due to the record hot weather across the U.S. Sun Belt, even as the broader utilities sector lagged. We trimmed the position on the price gains but continued to hold the stock.

Portfolio Characteristics

	Strategy	Benchmark
Market Cap (\$b)	4.8	2.4
Dividend Yield (%)	2.4	2.5
Price-to-Earnings (FY1)	13.8x	10.8x
Price-to-Book	1.7x	1.2x
Price-to-Sales	1.3x	0.8x
Std. Dev. (3 yr) (%)	20.33	22.83
Beta (3 yr)	0.84	1.00
Std. Dev. (5 yr) (%)	23.32	25.05
Beta (5 yr)	0.90	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^{1,2,3} (%)

	Average Weight	Relative Attribution
NOV Inc.	1.9	0.5
Vistra Corp.	1.4	0.4
Bank of Hawaii Corp	1.7	0.4
Cactus, Inc. Class A	1.8	0.4
Pinnacle Financial Partners, Inc.	1.7	0.3
ChampionX Corporation	1.8	0.3
Matador Resources Company	1.3	0.3
Carpenter Technology Corporation	1.4	0.2
RB Global, Inc.	2.6	0.2
Autoliv Inc.	1.4	0.2

Top Detractors^{1,2,3} (%)

	Average Weight	Relative Attribution
Algonquin Power & Utilities Corp.	1.6	-0.4
Forward Air Corporation	1.3	-0.4
Macy’s, Inc.	0.9	-0.3
Power Integrations, Inc.	1.6	-0.3
Louisiana-Pacific Corporation	1.2	-0.3
DENTSPLY SIRONA, Inc.	1.8	-0.2
Agree Realty Corporation	1.8	-0.2
Valmont Industries, Inc.	1.5	-0.2
Kemper Corp	1.8	-0.2
Littelfuse, Inc.	1.7	-0.2

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

Top 10 Holdings¹ (% of Portfolio)

RB Global, Inc.	2.5
Ashland Inc.	2.1
NOV Inc.	2.0
Kemper Corp	2.0
KBR, Inc.	2.0
Littelfuse, Inc.	1.9
Cactus, Inc. Class A	1.9
Matador Resources Company	1.9
Perrigo Co. Plc	1.9
ChampionX Corporation	1.9

All data as of 09/30/23. 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.

³ Contributors and detractors are based on gross returns, see net returns presented on performance comparison page.

Algonquin Power & Utilities and Forward Air were among the largest stock detractors from relative performance.

- Regulated utility conglomerate Algonquin Power & Utilities underperformed on softer-than-expected earnings and overall sector weakness in reaction to the rapid rise in bond yields. We trimmed the position and continued to monitor the stock's longer-term outlook.
- Freight and logistics company Forward Air fell on concerns about its announced merger plans with Omni Logistics, which faced strong opposition from its forwarder customers. We added to the position as the stock appeared to be oversold on the negative reaction.

PORTFOLIO CHANGES

New portfolio holdings included OGE Energy, Iridium Communications, and Prosperity Bancshares. Exits included Macy's and Comerica.

- We started a small position in regulated utilities company OGE Energy, which appeared to be trading at attractive valuations relative to its fundamentals and the broader segment.
- We bought satellite operator Iridium Communications based on its dominant market position and favorable growth prospects.
- We sold department store Macy's due to concerns about its credit card business and sales and profit stability in the cooling economy.
- We exited regional bank Comerica on deteriorating risk/reward dynamics and likely increased regulatory requirements, swapping into new holding Prosperity Bancshares, which appeared to offer more attractive investment potential.

ATTRIBUTION (%) AS OF 09/30/23

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	2.0	2.6	0.1	0.0	0.0
Consumer Discretionary	5.6	10.3	0.1	0.2	0.3
Consumer Staples	1.1	2.7	0.0	0.1	0.1
Energy	11.1	11.0	0.2	-0.1	0.1
Financials	24.8	25.4	-0.1	0.6	0.5
Healthcare	3.7	8.4	0.7	0.3	1.0
Industrials	21.8	14.3	0.0	-0.3	-0.4
Information Technology	8.6	5.8	-0.3	0.4	0.1
Materials	11.4	4.9	0.1	-0.2	-0.2
Real Estate	6.0	10.4	0.1	-0.4	-0.3
Utilities	3.9	4.1	0.0	0.2	0.2
Total			0.8	0.6	1.5

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

While U.S. economic growth, employment, and consumer spending are all showing clear signs of slowing, they remain generally resilient. We expect further cooling, but the question at this point is by how much? In our view, the risk of major recession remains small, and the most likely scenario appears to be that growth will continue to drift generally lower.

With the prospect of slowing growth, we are somewhat cautious toward the value equity market. Sentiment has clearly reset, and investment opportunities seem likely to become more company specific moving ahead. Additionally, history has shown that it can take up to 18 months for the impact of interest rate increases to fully work through the economy. Still, we continue to identify companies with interesting value potential but are being more selective in the opportunities we pursue, paying very close attention to fundamentals and how companies are likely to fare in the current and emerging environment. Overall, we remain very comfortable in our portfolio's ability to navigate the slowdown, whether it ends up being a soft or hard economic landing.

PERFORMANCE COMPARISON (%) AS OF 09/30/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Value Equity Composite (Gross)	-1.45	4.91	19.78	16.16	4.46	7.64
Small Cap Value Equity Composite (Net)	-1.69	4.13	18.60	15.02	3.42	6.57
Russell 2000® Value Index	-2.96	-0.53	7.84	13.32	2.59	6.19

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 1/1/98.

Russell 2000® Value Index is an unmanaged index which is composed of the securities in the Russell 2000 Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios. Investors cannot invest directly in an index.

Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

This information and general market-related projections are based on information available at the time, are subject to change without notice, are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm, and may not be relied upon for individual investing purposes. Information provided is general and educational in nature, provided as general guidance on the subject covered, and is not intended to be authoritative. All information contained herein is believed to be correct, but accuracy cannot be guaranteed. This information may coincide or conflict with activities of the portfolio managers. It is not intended to be, and should not be construed as investment, legal, estate planning, or tax advice. Ceredex Value Advisors does not provide legal, estate planning or tax advice. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions. Portfolio characteristics, sector analysis, and holdings exclude cash and may change at any time without notice.

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 or military conflict, 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:

Ceredex Value Advisors LLC
407-674-1270
www.ceredexvalue.com

SMALL CAP VALUE EQUITY COMPOSITE 4/1/08 - 12/30/22

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	-8.69	-9.61	-14.48	15	0.21	24.91	27.27	1,160	6,767
2021	28.49	27.23	28.27	14	0.37	23.22	25.00	1,664	9,548
2020	2.28	1.25	4.63	15	0.36	24.37	26.12	1,481	8,175
2019	18.64	17.47	22.39	14	0.27	15.85	15.68	1,494	9,062
2018	-11.39	-12.28	-12.86	14	0.28	13.87	15.76	1,318	7,722
2017	11.48	10.38	7.84	15	0.34	12.29	13.97	1,947	10,095
2016	30.64	29.33	31.74	15	0.33	13.97	15.50	1,997	10,845
2015	-4.56	-5.51	-7.47	13	0.09	14.16	13.46	1,857	10,227
2014	3.30	2.28	4.22	16	0.14	13.47	12.79	2,612	12,269
2013	36.41	35.08	34.52	17	0.71	15.12	15.82	3,021	11,693

- 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, 2022. 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 Partners, Inc., 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 for segregated 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 Small Cap Value Strategy composite includes fully discretionary accounts managed in accordance with the small cap value style with the objective of producing long-term capital appreciation and income. Under normal circumstances, Small Cap Value Portfolios will have at least 80% of their net assets invested in U.S. traded equity securities of small cap companies. U.S. traded equity securities may include American Depositary Receipts ("ADRs"). Ceredex considers small cap companies to be companies with market capitalizations similar to those of companies in the Russell 2000 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. Small Cap equity prices can be more volatile than larger-cap stocks and carry more risk. 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. The minimum portfolio size for the Small Cap Value Strategy composite is \$1,000,000.
- Benchmark.** The benchmark for the Small Cap Value Strategy composite is the Russell 2000® Value Index, which is composed of the securities in the Russell 2000® Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios. 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. Composite net of fee performance is calculated assuming a fee of 1.00%, the highest fee for this type of investment account.
- Fee Schedule.** The standard management fee schedule applicable to small cap equity accounts is as follows: 1.00% on the first \$10 million, 0.80% on the next \$40 million, 0.75% on the next \$50 million and 0.65% on all over \$100 million. The minimum annual fee is \$10,000. 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 returns is measured by the equal-weighted standard deviation of portfolio gross returns represented within the composite for the full year. 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 composite has performance history with an inception date of April 1, 2008. The inception date changed from 1/1/1998 to 4/1/2008 due to the retirement of the primary decision maker for this strategy on June 30, 2023. The change was made to comply with the requirements of the new SEC Marketing Rule effective November 4, 2022.
- 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.
- Disclaimer.** Past performance is not indicative of future results and no investment is guaranteed for return of principal and/or return on investments. Results will vary among accounts. All information provided and used in calculations is believed to be correct, but accuracy cannot be guaranteed. Please consult with a financial professional before investing.
- Trademark.** 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.