

Portfolio Commentary

Small 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 2000® Value Index fell 0.66% in the period, with the largest sector increases in information technology (+12.88%) and consumer discretionary (+11.12%). Healthcare (-6.16%) and financials (-10.97%) were the weakest performing sectors.

PERFORMANCE

The Ceredex Small Cap Value Equity Composite gained 4.03% gross/3.77% net for the quarter, outperforming the Russell 2000 Value Index's return of -0.66%.

Top performance contributors included: an overweight position and stock selection in industrials, where we have continued to find considerable investment potential and benefited from a bias toward infrastructure-related companies; healthcare stock selection, from our holdings in dental-related and pharma stocks benefiting from product strength; an overweight position and stock selection in information technology, due to the strong performance of holdings like Dolby Laboratories, Power Integrations, and National Instruments; and an underweight financials position, given that we did not have excessive exposure to the banking segment and also owned First Citizens BancShares, which acquired assets from failed Silicon Valley Bank.

Energy stock selection was the largest performance detractor, primarily because of our overweight exposure to the service sector over more traditional energy names.

SKF AB and Academy Sports & Outdoors were among the strongest stock contributors to relative performance.

- Bearing and seal manufacturer SKF AB rose on its better-than-expected forward-looking guidance, driven by an improving European market outlook. The state-of-the-art company remains the dominant player in its market segment, and the stock enjoyed a strong rebound trading off recession-like valuations. We continued to hold the position but are monitoring it after the price gains.

Portfolio Characteristics

	Strategy	Benchmark
Market Cap (\$b)	5.3	2.4
Dividend Yield (%)	2.3	2.3
Price-to-Earnings (FY1)	13.2x	11.2x
Price-to-Book	2.2x	1.2x
Price-to-Sales	0.8x	0.8x
Std. Dev. (3 yr) (%)	19.39	22.70
Alpha (3 yr) (%)	5.43	0.00
Beta (3 yr)	0.81	1.00
Std. Dev. (5 yr) (%)	22.57	24.49
Alpha (5 yr) (%)	2.17	0.00
Beta (5 yr)	0.89	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
SKF AB Sponsored ADR	1.8	0.5
Academy Sports and Outdoors, Inc.	2.6	0.5
Stantec Inc	2.3	0.5
Dolby Laboratories, Inc.	2.2	0.4
DENTSPLY SIRONA, Inc.	1.8	0.4
Power Integrations, Inc.	2.2	0.4
Algonquin Power & Utilities Corp.	1.1	0.3
Littelfuse, Inc.	1.6	0.3
National Instruments Corporation	0.4	0.3
A. O. Smith Corporation	1.4	0.3

Top Detractors ^{1,2,3} (%)	Average Weight	Relative Attribution
SLM Corp	1.3	-0.4
Comerica Incorporated	1.0	-0.4
Bank of Hawaii Corp	1.0	-0.3
Ovintiv Inc	1.1	-0.3
First Interstate BancSystem, Inc.	1.5	-0.3
Cullen/Frost Bankers, Inc.	1.1	-0.3
First Hawaiian, Inc.	1.1	-0.2
Seacoast Banking Corporation of Florida	1.0	-0.2
Organon & Co.	1.1	-0.2
Ameris Bancorp	0.9	-0.2

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

Top 10 Holdings¹ (% of Portfolio)

Perrigo Co. Plc	3.5
Academy Sports and Outdoors, Inc.	3.0
Stantec Inc	2.6
Ritchie Bros. Auctioneers Incorporated	2.6
Dolby Laboratories, Inc.	2.4
Power Integrations, Inc.	2.4
DENTSPLY SIRONA, Inc.	2.1
EMCOR Group, Inc.	2.0
Colliers International Group Inc.	1.9
SKF AB Sponsored ADR	1.9

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.

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

- Sporting goods chain store Academy Sports & Outdoors continued to benefit from strong consumer demand for its products. We purchased the stock during last year's market volatility, and it has performed well for the portfolio. We held steady with the position as the company continues to offer great store growth potential, a good management team, and differentiated positioning in the overall consumer market.

SLM and Comerica were among the largest stock detractors from relative performance.

- Consumer banking company SLM, best known for its education loan business Sallie Mae, fell on disappointing earnings and the general financial sector selloff in the wake of the collapse of Silicon Valley Bank.
- Financial services company Comerica also got caught up in the financial sector turmoil. We maintained both positions as we expect shares to recover as markets move past the current banking crisis, which appears isolated to a small number of institutions.

PORTFOLIO CHANGES

Portfolio additions included Columbia Banking and PotlatchDeltic. We exited National Instruments and First Citizens BancShares.

- We bought financial holding company Columbia Banking System given the attractive synergies of its recent merger with Umpqua Bank, which combined two of the Pacific Northwest's premier financial institutions.
- We purchased timber real estate investment trust PotlatchDeltic, which we believe was oversold on concerns about softening new home sales.
- We sold technology firm National Instruments and bank holding company First Citizens BancShares after the stocks reached our price targets.

ATTRIBUTION (%) AS OF 03/31/23

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	0.7	3.0	-0.1	-0.1	-0.2
Consumer Discretionary	10.1	11.3	0.0	0.5	0.6
Consumer Staples	3.1	2.8	0.0	0.3	0.3
Energy	6.6	6.4	0.0	-0.9	-0.9
Financials	20.5	26.3	0.7	-0.1	0.6
Healthcare	8.4	9.9	0.1	0.9	1.1
Industrials	24.6	14.0	0.8	0.5	1.3
Information Technology	9.2	5.9	0.5	0.4	0.9
Materials	5.6	4.5	0.1	0.0	0.0
Real Estate	7.7	10.9	0.0	0.6	0.5
Utilities	3.5	5.1	0.0	0.5	0.5
Total			2.1	2.5	4.7

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 continue to spend and remain generally healthy from an economic perspective. 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
Small Cap Value Equity Composite (Gross)	4.03	4.03	1.45	23.27	6.37	8.66
Small Cap Value Equity Composite (Net)	3.77	3.77	0.44	22.06	5.31	7.58
Russell 2000® Value Index	-0.66	-0.66	-12.96	21.01	4.55	7.22
eVestment Alliance Small Cap Value Median*	2.10	2.10	-6.44	23.67	6.22	8.62
# of Portfolios in Median Calculation	413	413	412	407	391	345

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 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.

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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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SMALL CAP VALUE EQUITY COMPOSITE 1/1/98 - 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	-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
2012	18.55	17.38	18.05	20	0.36	17.32	19.89	2,557	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 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 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 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 inception date of Ceredex, and continues the investment strategy of a composite originally created in 1998. The composite has performance history with an inception date of January 1, 1998.
- 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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