

Portfolio Commentary

Small Cap Value Equity

MARKET REVIEW

U.S. stocks experienced a sharp uptick in volatility in the first quarter, as investors reacted to a confluence of unsettling macro news, including the COVID-19 Omicron variant wave, persistently higher-than-expected inflation, U.S. Federal Reserve (Fed) monetary tightening, slowing global growth, and Russia's invasion of Ukraine, the latter of which caused upheaval in already-challenged global supply chains. Markets tumbled lower at the start of the year, followed by elevated turbulence to end the period lower, despite a strong late-March rebound. Against this backdrop, large-cap securities broadly outperformed small-cap names, and value segments proved to be much more defensive than their growth counterparts.

The Russell 2000® Value Index closed the period down -2.40%. The largest sector declines were in consumer discretionary (-14.20%), healthcare (-13.22%), and information technology (-8.92%). Energy (+43.41%), which posted spectacular gains amid oil supply concerns due to the Russia-Ukraine conflict, and utilities (+4.11%) were the only two sectors to finish higher.

PERFORMANCE

The Ceredex Small Cap Value Equity Composite returned -6.37%/-6.61% (gross/net) for the quarter versus the Russell 2000 Value Index's return of -2.40%. As bottom-up investors, it is not unusual for our strategies to generally lag in macro-driven markets when investors are overlooking company fundamentals. However, performance was particularly challenging this period, given the procyclical tilt of many of the portfolio's holdings.

Large performance detractors included: industrials stock selection, where we were overweight the sector and focused on securities poised to benefit from anticipated higher business capital expenditures (capex) and consumer spending that largely ended up being sidelined by the macro shift; materials stock selection, where we were also overweight and focused on areas like specialty chemical companies, which underperformed segments such as metals and upstream securities; and a significant energy sector underweight. These detractors were offset partially by favorable stock selection in healthcare.

Ovintiv and Patterson were among the strongest stock contributors to relative performance.

- Oil and gas exploration and production company Ovintiv outperformed on surging energy prices. We trimmed the stock on the price gains but continue to maintain a position as the company has developed a high-quality, multi-basin portfolio. It also has been investor friendly, paying down debt and returning money to shareholders with dividends and share buybacks from its higher profitability and cash flows.

Portfolio

Characteristics	Strategy	Benchmark
Market Cap (\$b)	5.7	3.1
Dividend Yield (%)	1.7	1.7
Price-to-Earnings (FY1)	13.3x	12.1x
Price-to-Book	2.3x	1.5x
Price-to-Sales	1.1x	1.1x
Std. Dev. (3 yr) (%)	22.88	24.59
Alpha (3 yr) (%)	-1.73	N/A
Beta (3 yr)	0.89	1.00
Std. Dev. (5 yr) (%)	20.35	21.74
Alpha (5 yr) (%)	-0.39	N/A
Beta (5 yr)	0.90	1.00

Top

Contributors ^{1,2} (%)	Average Weight	Relative Attribution
Ovintiv Inc.	4.3	1.8
Patterson Companies Inc.	2.2	0.3
Zions Bancorporation, N.A.	0.4	0.2
KBR, Inc.	1.2	0.1
AGCO Corp.	0.2	0.1
Owens & Minor, Inc.	3.4	0.1
Academy Sports and Outdoors, Inc.	0.2	0.1
American Financial Group, Inc.	1.0	0.1
Power Integrations, Inc.	3.8	0.1
Horace Mann Educators Corp.	1.0	0.1

Top

Detractors ^{1,2} (%)	Average Weight	Relative Attribution
First Citizens BancShares, Inc.	3.7	-0.7
RPM International Inc.	2.9	-0.5
Azenta, Inc.	2.4	-0.4
Tempur Sealy International Inc.	0.9	-0.4
Energizer Holdings, Inc.	1.8	-0.4
Evercore Inc.	2.3	-0.3
Littelfuse, Inc.	1.6	-0.3
Jefferies Financial Group Inc.	2.3	-0.3
Stantec Inc.	3.1	-0.3
MKS Instruments, Inc.	2.0	-0.2

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

Top 10

Holdings ¹ (% of Portfolio)	
Power Integrations, Inc.	4.3
Ovintiv Inc.	4.0
SLM Corp.	3.7
First Citizens BancShares, Inc.	3.5
Aptargroup, Inc.	3.4
RPM International Inc.	3.3
Kemper Corp.	3.2
Stantec Inc.	3.0
Lennox International Inc.	2.8
EMCOR Group, Inc.	2.7

All data as of 3/31/22. 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.

- Medical supply conglomerate Patterson rose on higher-than-expected earnings and an upbeat outlook. The company is one of the leading distributors of dental and animal health products and has benefited from pent-up demand in the dental market, as well as generally increased spending on companion animals and the increased pet adoptions that occurred during the pandemic. We continue to hold the stock as we see room for additional upside.

First Citizens BancShares and RPM International were among the largest stock detractors from relative performance.

- Bank holding company First Citizens BancShares fell on concerns around the integration risks of its merger with CIT Group. The company has done a poor job communicating the synergies of the consolidation, and we took advantage of the price weakness to add to the position as we see considerable value potential in the combined businesses.
- Specialty coatings and sealants manufacturer RPM International underperformed on the surge in raw materials costs. We added to the position. The company should be able to increase prices as it works through inventory, and the do-it-for-me home improvement and construction segments continue to be robust.

PORTFOLIO CHANGES

We shifted the portfolio more than usual in the period as we focused on securities that we believe are well positioned for the changing market climate. We were also able to take advantage of the volatility to selectively add to positions at what appeared to be favorable valuations, given their strong fundamentals. Notable new entrants included Lennox International and AGCO. Notable exits included Azenta and Air Lease.

- We purchased climate control products manufacturer Lennox International after shares sold off. The company should benefit from continued pent-up demand and strong unit replacement.
- Agricultural machinery manufacturer AGCO offered an attractive valuation entry point and should profit from increasing margin expansion and general farming segment strength.
- Automation and instrumentation equipment company Azenta traded down in the quarter and completed the sale of its semiconductor solutions

business. We found more compelling risk/reward opportunities as we see potential for further valuation contraction with the stock.

- We sold aircraft leasing company Air Lease due to its exposure to Russia and higher fuel costs.

PERFORMANCE ATTRIBUTION (%) AS OF 3/31/22

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	1.8	3.6	-0.1	0.1	-0.1
Consumer Discretionary	8.2	7.1	0.0	0.0	0.0
Consumer Staples	5.0	3.0	0.0	-0.7	-0.7
Energy	6.2	9.6	-0.7	0.1	-0.7
Financials	24.6	25.3	0.1	-0.7	-0.5
Healthcare	5.4	8.9	0.1	0.8	0.9
Industrials	24.2	15.3	-0.1	-1.3	-1.5
Information Technology	11.7	5.4	-0.3	0.0	-0.2
Materials	10.6	4.5	0.0	-0.8	-0.8
Real Estate	2.3	11.9	0.0	-0.2	-0.2
Utilities	0.0	5.4	-0.3	0.0	-0.3
Total			-1.4	-2.7	-4.1

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

While our investment process and disciplined focus on bottom-up, fundamental research has not changed, the broad macro backdrop has. The Fed now appears to be behind the curve in its tightening efforts, global growth continues to soften, and geopolitical risks remain escalated. We think the risk for a severe U.S. recession remains relatively low but are incorporating the greater possibility into our research. Looking ahead, overall fundamentals for the companies held in the portfolio remain quite strong, and we expect that patience will pay off in the long run, just as it has in past periods of extreme volatility. However, we are also paying very close attention to valuations to ensure they make sense in the current market landscape.

PERFORMANCE COMPARISON (%) AS OF 3/31/22

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Value Equity Composite (Gross)	-6.37	-6.37	4.92	9.38	7.24	10.37
Small Cap Value Equity Composite (Net)	-6.61	-6.61	3.88	8.30	6.18	9.27
Russell 2000® Value Index	-2.40	-2.40	3.32	12.73	8.57	10.54
eVestment Alliance Small Cap Value Median*	-2.94	-2.94	5.91	13.95	9.83	11.59
# of Portfolios in Median Calculation	223	223	223	221	208	186

eVestment Alliance data capture date: 4/21/22

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

For information, contact:

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SMALL CAP VALUE EQUITY COMPOSITE 1/1/98 – 3/31/22

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 YTD	-6.37	-6.61	-2.40	14	0.07	22.88	24.59	1,431	8,643
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	15.00	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

- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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. Composite net of fee performance is calculated assuming a fee of 1.00%, the highest fee for this type of investment account.
- 6. 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.
- 7. 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).
- 8. 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).
- 9. Currency.** Valuations and returns are computed and stated in U.S. Dollars.
- 10. 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.
- 11. 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.
- 12. 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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