

Portfolio Commentary

Concentrated Large Cap Value Equity

MARKET REVIEW

U.S. large-cap value stocks continued to deliver solid gains in the first quarter, though lagging growth counterparts. The Russell 1000® Value Index rose 8.99%, with the strongest sector performance in energy (+13.81%), financials (+13.15%), and industrials (+11.82%). Real estate (-0.91%) was the only sector to move lower. Momentum continued to drive the market, but outperformance largely shifted to higher-quality stocks in contrast to last quarter's risk-on "everything rally" that was led by lower-quality names.

The start of 2024 felt a lot like 2023, as the market continued to be characterized by notable swings in investment sentiment. Investors entered the period excited about moderating inflation, easing financial conditions, a resilient economic picture, and anticipation that the Federal Reserve (Fed) would soon start cutting interest rates. As the quarter progressed, hotter-than-expected inflation readings began to temper expectations around when the Fed might actually start its pivot, particularly since there appeared to be no real urgency to do so given the still-healthy economy and labor market.

PERFORMANCE

The Ceredex Concentrated Large Cap Value Equity Composite gained 5.88% (gross)/5.73% (net) for the quarter compared to the Russell 1000 Value Index's rise of 8.99%. The largest sector performance detractors were: healthcare stock selection, primarily due to the underperformance of insurance company Humana (see below); industrials stock selection, where we were underweight stocks where momentum appeared to move beyond fundamentals, including names that we sold last quarter after reaching our price targets, though our overweight to the sector partially offset the underperformance; an underweight and stock selection in financials, where some holdings took a pause after performing strongly last year; and real estate stock selection, given our emphasis on higher-quality, longer-duration securities, which tended to lag as interest-rate-cut expectations began to reset.

The largest sector performance contributors were: communication services stock selection, primarily from the strong performance of new holding Walt Disney (see below); and stock selection and an overweight in materials, largely from our position in chemical company DuPont, which we acquired after the stock reset on lower market sentiment and subsequently benefited from stronger-than-expected earnings.

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

- Semiconductor company Marvell Technology rose on artificial intelligence (AI) excitement around its 800 Gbps offering. The stock can be volatile, and we took advantage of down days to add to the position given the company's product innovation, which we believe should help it capitalize on a new major market in AI.
- Entertainment conglomerate Walt Disney was a new holding in the quarter that outperformed due to improving fundamentals driven by the company's turnaround strategy, with returning CEO Bob Iger refocusing on profitability and cost-cutting efforts.

Portfolio Characteristics

	Strategy	Benchmark
Market Cap (\$b)	101.5	158.6
Dividend Yield (%)	1.8	2.1
Price-to-Earnings (FY1)	21.8x	16.8x
Price-to-Book	2.3x	2.5x
Price-to-Sales	1.8x	1.8x
Std. Dev. (3 yr) (%)	17.55	16.20
Beta (3 yr)	1.05	1.00
Std. Dev. (5 yr) (%)	19.88	18.63
Beta (5 yr)	1.03	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

Contributors ^{1,2,3} (%)	Average Weight	Relative Attribution
Marvell Technology, Inc.	5.8	0.7
Walt Disney Company	3.5	0.6
Allstate Corporation	3.5	0.5
Fortive Corp.	5.4	0.3
FedEx Corporation	4.1	0.3
DuPont de Nemours, Inc.	1.9	0.3
Chesapeake Energy Corporation	4.0	0.3
Willis Towers Watson Public Limited Company	4.1	0.2
Xylem Inc.	5.1	0.2
QUALCOMM Incorporated	1.7	0.2

Top Detractors

Detractors ^{1,2,3} (%)	Average Weight	Relative Attribution
Humana Inc.	5.8	-2.1
Intel Corporation	5.5	-1.1
Crown Castle Inc.	5.0	-0.8
Knight-Swift Transportation Holdings Inc. Class A	5.4	-0.7
Revvity, Inc.	5.1	-0.7
Honeywell International Inc.	4.7	-0.6
U.S. Bancorp	5.8	-0.2
Capital One Financial Corp.	0.5	-0.1
Chevron Corporation	4.6	-0.1
Emerson Electric Co.	1.1	0.0

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

Top 10 Holdings¹ (% of Portfolio)

Humana Inc.	6.2
U.S. Bancorp	6.1
Walt Disney Company	5.6
DuPont de Nemours, Inc.	5.6
Emerson Electric Co.	5.3
Fortive Corp.	5.3
Intel Corporation	5.2
Danaher Corporation	5.2
FedEx Corporation	5.2
Home Depot, Inc.	5.1

All data as of 03/31/24. 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.

Humana and Intel were among the largest stock detractors from relative performance.

- Health insurance company Humana continued to lag on disappointing earnings and higher medical costs that have weighed on the entire industry. Performance also was pressured by the U.S. government's surprisingly aggressive Medicare Advantage pricing. We continued to like both the industry and the company from a fundamentals perspective but are closely monitoring the position.
- Semiconductor firm Intel pulled back after last year's strong outperformance on concerns about its 18A process node, which aims to deliver smaller, more energy efficient chips and is crucial to its "five nodes in four years" turnaround strategy. We trimmed the position, locking in past gains.

PORTFOLIO CHANGES

In addition to Walt Disney, we initiated a position in Emerson Electric. Exits included Qualcomm and Best Buy.

- We bought technology and engineering firm Emerson Electric following a price reset as we expect it to benefit from the continued trends of electrification and AI.
- We sold semiconductor company Qualcomm and consumer electronics retailer Best Buy after they reached our price targets.

ATTRIBUTION (%) AS OF 03/31/24

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	5.6	4.6	-0.3	1.1	0.9
Consumer Discretionary	5.1	5.0	-0.1	0.3	0.2
Consumer Staples	0.0	7.7	0.2	0.0	0.2
Energy	8.8	8.1	0.0	-0.2	-0.2
Financials	13.8	22.7	-0.3	-0.2	-0.5
Healthcare	16.2	14.2	-0.1	-2.4	-2.5
Industrials	25.7	14.3	0.3	-1.2	-0.9
Information Technology	14.5	9.4	0.0	-0.3	-0.2
Materials	5.6	4.8	0.2	0.2	0.4
Real Estate	4.7	4.6	0.0	-0.3	-0.3
Utilities	0.0	4.7	0.2	0.0	0.2
Total			0.1	-3.0	-2.8

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

In our view, large-cap value stocks remain well positioned in the current market. Our bottom-up research continues to identify companies with strong fundamentals and attractive investment potential. We also are generally not overly concerned with current market valuations, even after recent strong performance, though a major, destructive move in bond yields could change that view.

There are a range of potential wild cards that could quickly escalate market volatility: the U.S. election season is beginning to enter full swing, geopolitical risks remain high, and stickier inflation could easily delay investors' rate-cut hopes. Overall, however, we are largely encouraged by the economic and earnings picture we see looking ahead and continue to find opportunities across several key themes.

This includes the market's intense focus on short-term upward earnings revisions, which has provided several potentially attractive entry points for still fundamentally solid companies that have experienced valuation resets on missed expectations and lowered sentiment. Destocking, another key trend that has benefited the portfolio for some time, continues to unlock value potential, although it appears to not be offering as much benefit to end markets experiencing it. We also are leaning into areas of the market where recent momentum trades seem to be overlooking fundamentals. Additionally, the investment potential in AI remains potentially transformative, and we have been focusing on second derivative plays that may be less apparent to the market.

PERFORMANCE COMPARISON (%) AS OF 3/31/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Concentrated Large Cap Value Equity Composite (Gross)	5.88	5.88	22.23	8.71	13.38	NA
Concentrated Large Cap Value Equity Composite (Net)	5.73	5.73	21.51	8.07	12.67	NA
Russell 1000® Value Index	8.99	8.99	20.27	8.11	10.32	9.01

Past performance is not indicative of future results. 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 4/1/18.

Russell 1000® Value Index is composed of the securities in the Russell 1000 Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth values. Investors cannot invest directly in an index.

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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:

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CONCENTRATED LARGE CAP VALUE EQUITY COMPOSITE 4/1/18 – 12/31/23

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		
2023	19.94	19.23	11.46	Five or fewer	N/A	17.67	16.51	2	6,019
2022	-12.80	-13.33	-7.54	Five or fewer	N/A	22.29	21.25	2	6,767
2021	28.63	27.84	25.16	Five or fewer	N/A	19.63	19.06	2	9,548
2020	11.88	11.10	2.80	Five or fewer	N/A	N/A	N/A	1	8,175
2019	32.28	31.38	26.54	Five or fewer	N/A	N/A	N/A	1	9,062
2018*	-5.52	-6.02	-5.59	Five or fewer	N/A	N/A	N/A	1	7,722

*Results shown for the year 2018 represent partial period performance from April 1, 2018 through December 31, 2018

- 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 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 Description.** The Concentrated Large Cap Value Strategy composite includes fully discretionary accounts in accordance with the concentrated large cap value style with the objective of producing long-term capital appreciation and income. Under normal circumstances, Concentrated Large Cap Value Portfolios will have at least 80% of their net assets invested in U.S. traded equity securities of large cap companies. U.S. traded equity securities may include American Depositary Receipts ("ADRs"). Ceredex considers large cap companies to be companies with market capitalizations similar to those of companies in the Russell 1000 Value Index. Typically, a Concentrated Large Cap Value portfolio will generally hold 20 securities or less. 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 Concentrated Large Cap Value Strategy composite is \$500,000.
- Benchmark.** The benchmark for the Concentrated Large Cap Value Strategy composite is the Russell 1000® Value Index, which is composed of the securities in the Russell 1000® Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth values. 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. Effective 4/1/2021, composite net of fee performance is calculated assuming an annual fee of 0.60%, the highest fee for this type of investment account. Prior to 4/1/2021, composite net of fee performance was calculated assuming an annual fee of 0.70%, the highest fee for this type of investment account.
- Fee Schedule.** The standard management fee schedule applicable to large cap equity accounts is as follows: 0.60% on the first \$10 million, 0.55% on the next \$40 million, 0.45% on the next \$50 million, and 0.40% 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.
- Creation and Inception Date.** This composite was created March 31, 2018. The Composite has performance history with an inception date of April 1, 2018.
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