

Portfolio Commentary

Mid-Cap Value Equity

MARKET REVIEW

U.S. mid-cap value stocks continued to deliver solid gains in the first quarter, though lagging growth counterparts. The Russell Midcap® Value Index rose 8.23%, with the strongest sector performance in industrials (+14.85%), energy (+13.96%), and financials (+12.01%). Communication services (-5.09%) and real estate (-0.59%) were the only sectors 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 Mid-Cap Value Equity Composite gained 9.54% (gross)/9.34% (net) for the quarter, outperforming the Russell Midcap Value Index's rise of 8.23%. The largest sector performance contributors were: information technology stock selection, due to holdings rebounding from inventory destocking resets and benefiting from second derivative artificial intelligence (AI) momentum; financials stock selection, where we were underweight banks, which were pressured by lowered rate-cut expectations, and overweight insurance holdings that continued to benefit from a premium rate hardening cycle; consumer staples stock selection, based on holdings that have recovered from destocking that saw earnings inflect upward; and a zero-weight communication services position, a sector where we have not found compelling dividend-paying value potential for quite some time.

The largest sector performance detractors were: healthcare stock selection, primarily due to the underperformance of insurance company Humana (see below); 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.

Dell Technologies and Target were among the strongest stock contributors to relative performance.

- Computer hardware company Dell Technologies outperformed on higher-than-expected revenue driven by rebounding demand and booming interest in AI solutions, including a strong jump in AI-optimized server orders. We exited the position after the stock reached our price target.
- Retailer Target rose on earnings strength as it continued to recover from past inventory destocking pressures. The company benefited from above-expectations sales, lower costs, and improved inventory management. We trimmed the position on the gains but continued to hold the stock.

Portfolio Characteristics

	Strategy	Benchmark
Market Cap (\$b)	32.4	26.0
Dividend Yield (%)	1.7	1.8
Price-to-Earnings (FY1)	17.8x	16.9x
Price-to-Book	2.4x	2.3x
Price-to-Sales	1.8x	1.6x
Std. Dev. (3 yr) (%)	17.48	19.07
Beta (3 yr)	0.90	1.00
Std. Dev. (5 yr) (%)	21.14	21.73
Beta (5 yr)	0.96	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} (%)	Average Weight	Relative Attribution
Dell Technologies, Inc. Class C	1.3	0.8
Target Corporation	2.1	0.4
Vistra Corp.	0.6	0.3
Marvell Technology, Inc.	2.5	0.3
Allstate Corporation	1.7	0.2
Hartford Financial Services Group, Inc.	1.6	0.2
Ovintiv Inc.	2.6	0.2
Chesapeake Energy Corporation	2.7	0.2
Regal Rexnord Corporation	1.6	0.2
Quanta Services, Inc.	1.5	0.2

Top

Detractors ^{1,2} (%)	Average Weight	Relative Attribution
Humana Inc.	3.2	-1.2
Power Integrations, Inc.	1.6	-0.4
Air Products and Chemicals, Inc.	1.7	-0.4
Americold Realty Trust, Inc.	1.1	-0.3
Revvity, Inc.	2.0	-0.2
Knight-Swift Transportation Holdings Inc. Class A	1.7	-0.2
PG&E Corporation	1.6	-0.2
Extra Space Storage Inc.	1.4	-0.2
Realty Income Corporation	1.8	-0.2
Mid-America Apartment Communities, Inc.	1.7	-0.1

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

Top 10

Holdings¹ (% of Portfolio)

Humana Inc.	3.4
First Citizens BancShares, Inc. Class A	3.2
Marvell Technology, Inc.	2.8
Capital One Financial Corp.	2.8
Chesapeake Energy Corporation	2.7
Global Payments Inc.	2.6
Revvity, Inc.	2.3
Microchip Technology Incorporated	2.3
Ovintiv Inc.	2.2
Target Corporation	2.1

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.

Humana and Power Integrations 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.
- High-voltage power conversion semiconductor firm Power Integrations underperformed on inventory destocking pressures and investors' focus on AI-related stocks. We added to the position on the price softness given the company's solid overall fundamentals.

PORTFOLIO CHANGES

New holdings included Delta Air Lines and Rockwell Automation. In addition to Dell Technologies, we exited Best Buy and Howmet Aerospace.

- We purchased airline carrier Delta Air Lines after it appeared oversold on industry capacity concerns.
- We bought industrial automation and technologies firm Rockwell Automation, which offers second derivate AI investment potential in areas such as earlier-stage AI reshoring opportunities.
- We sold consumer electronics retailer Best Buy and advanced engineered solutions company Howmet Aerospace 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	0.0	2.8	0.4	0.0	0.4
Consumer Discretionary	5.6	9.4	0.0	0.0	0.0
Consumer Staples	3.4	3.7	0.0	0.5	0.5
Energy	6.1	5.5	0.0	0.2	0.3
Financials	20.3	18.2	0.1	0.5	0.5
Healthcare	5.7	6.5	0.1	-1.2	-1.1
Industrials	26.5	20.4	0.3	-0.1	0.2
Information Technology	10.0	9.2	0.0	1.1	1.2
Materials	7.7	7.6	0.0	-0.2	-0.2
Real Estate	8.3	9.8	0.1	-0.3	-0.2
Utilities	6.4	7.0	0.0	0.0	0.1
Total			1.0	0.6	1.6

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

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
Mid-Cap Value Equity Composite (Gross)	9.54	9.54	23.04	7.54	10.23	9.35
Mid-Cap Value Equity Composite (Net)	9.34	9.34	22.13	6.74	9.41	8.54
Russell Midcap® Value Index	8.23	8.23	20.40	6.80	9.94	8.57

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 4/1/02.

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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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:

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MID-CAP VALUE EQUITY COMPOSITE 4/1/02 - 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	12.04	11.21	12.71	Five or fewer	N/A	17.69	19.31	2,515	6,019
2022	-13.07	-13.73	-12.03	6	N/A	24.19	24.44	3,096	6,767
2021	30.26	29.31	28.34	7	N/A	22.25	21.95	4,446	9,548
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	21.40	20.51	20.00	10	0.21	12.62	11.30	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

- 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 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, 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. 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 an annual 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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