

Portfolio Commentary

Small Cap Value Equity

MARKET REVIEW

U.S. small-cap value stocks continued to deliver gains in the first quarter, though more muted than larger-cap counterparts. The Russell 2000® Value Index rose 2.90%, with the strongest sector performance in energy (+12.22%), healthcare (+8.50%), and industrials (+8.09%). The weakest sector returns were in communication services (-4.88%), financials (-2.45%), and consumer staples (-1.85%). 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 Small Cap Value Equity Composite gained 4.15% (gross)/3.90% (net) for the quarter, outperforming the Russell 2000 Value Index's rise of 2.90%. The largest sector performance contributors were: financials stock selection, given our focus on higher-quality names and an underweight in banks, which were pressured by lowered rate-cut expectations; stock selection and an overweight in materials, due to holdings that benefited from improving industry supply/demand dynamics; and consumer staples stock selection, largely for our bias for higher-quality stocks.

The largest sector performance detractors were: stock selection and an underweight in healthcare, where we sold our sole sector holding based on disappointing fundamentals; stock selection and an overweight in communication services, due to holdings pressured by competition concerns and uncertain outlooks; and stock selection and an underweight position in consumer discretionary, mainly from a jewelry retailer position that lagged on softer industry demand.

Of note, small-cap stocks generally tend to be much more sensitive to interest rates than larger-cap securities. Over the past few years, this has been even more magnified due to the rate tightening cycle as investors have been very quick to oscillate between higher-quality stocks and lower-quality securities depending on the perceived direction of rates. This quarter, the trend largely played to the Strategy's benefit given our focus on higher-quality holdings, which broadly outperformed on the market's lowered rate-cut expectations.

Portfolio Characteristics

	Strategy	Benchmark
Market Cap (\$b)	5.8	2.9
Dividend Yield (%)	2.2	2.1
Price-to-Earnings (FY1)	15.8x	13.0x
Price-to-Book	2.0x	1.4x
Price-to-Sales	1.5x	0.9x
Std. Dev. (3 yr) (%)	19.16	21.19
Beta (3 yr)	0.86	1.00
Std. Dev. (5 yr) (%)	22.64	24.70
Beta (5 yr)	0.88	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
Kemper Corp.	1.3	0.4
ChampionX Corporation	1.7	0.3
Ashland Inc.	2.0	0.3
Hudbay Minerals Inc.	1.3	0.3
Louisiana-Pacific Corporation	1.8	0.3
Belden Inc.	1.7	0.3
KBR, Inc.	2.1	0.2
RB Global, Inc.	1.6	0.2
MKS Instruments, Inc.	1.0	0.2
BWX Technologies, Inc.	0.8	0.2

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

	Average Weight	Relative Attribution
Iridium Communications Inc.	1.1	-0.5
Columbia Banking System, Inc.	1.4	-0.5
Schneider National, Inc. Class B	2.2	-0.3
Bank of Hawaii Corp.	1.9	-0.3
Power Integrations, Inc.	1.4	-0.2
Seacoast Banking Corporation of Florida	1.5	-0.2
Cogent Communications Holdings Inc.	1.2	-0.2
Agree Realty Corporation	1.4	-0.2
IDACORP, Inc.	1.9	-0.1
Littelfuse, Inc.	1.0	-0.1

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

Top 10 Holdings¹ (% of Portfolio)

Camden Property Trust	2.2
Schneider National, Inc. Class B	2.1
KBR, Inc.	2.0
Matador Resources Company	2.0
Valmont Industries, Inc.	1.9
ChampionX Corporation	1.9
OGE Energy Corp.	1.9
IDACORP, Inc.	1.8
Ashland Inc.	1.8
Cactus, Inc. Class A	1.8

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.

Kemper and ChampionX were among the strongest stock contributors to relative performance.

- Insurance provider Kemper rose on strengthening fundamentals driven by the hardening insurance pricing cycle. We trimmed the stock on the gains as it approached our price target.
- Oil field services provider ChampionX rebounded on improving execution and fundamental performance. The company also is tied more to oil production, an area of the market that has experienced more resilient spending than oil exploration. We held steady with the stock based on its solid outlook.

Iridium Communications and Columbia Banking System were among the largest stock detractors from relative performance.

- Satellite operator Iridium Communications fell on disappointing forward-looking guidance and deteriorating investor sentiment around competitive concerns with Starlink satellite internet constellation, which is owned by SpaceX, a private company. We held steady with the stock for now but are closely monitoring it.
- Bank holding company Columbia Banking System fell on lower-than-expected earnings and general banking segment weakness. Shares were also pressured by execution concerns with its integration of Umpqua Holdings, a recent acquisition. We trimmed the position but continued to hold the stock.

PORTFOLIO CHANGES

New positions included PROG Holdings and MSC Industrial Direct. Exits included Scholastic.

- We purchased point-of-sale leasing provider PROG Holdings, which is poised to benefit from tighter credit card financing and accelerating consumer durables demand.
- We bought industrial equipment distributor MSC Industrial Direct on anticipated growth in industrial manufacturing after a challenging demand climate.
- We sold children's book publisher Scholastic due to its acquisition of 9 Story Media Group, which dampened its capital return profile.

ATTRIBUTION (%) AS OF 03/31/24

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	2.9	2.3	-0.1	-0.3	-0.4
Consumer Discretionary	5.3	11.0	-0.1	-0.1	-0.2
Consumer Staples	2.4	2.2	0.0	0.2	0.2
Energy	10.6	10.1	0.0	0.0	0.0
Financials	26.2	25.8	0.0	1.4	1.4
Healthcare	0.0	9.3	-0.4	-0.3	-0.6
Industrials	22.2	14.9	0.3	-0.3	0.0
Information Technology	10.4	5.9	-0.1	0.2	0.1
Materials	8.0	5.0	0.2	0.6	0.8
Real Estate	8.2	9.7	0.1	0.0	0.1
Utilities	3.7	3.7	0.0	0.0	0.0
Total			0.0	1.4	1.4

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

WIn our view, small-cap value stocks remain well positioned in the current market. 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
Small Cap Value Equity Composite (Gross)	4.15	4.15	16.09	7.31	9.04	8.06
Small Cap Value Equity Composite (Net)	3.90	3.90	14.94	6.25	7.96	6.99
Russell 2000® Value Index	2.90	2.90	18.75	2.22	8.17	6.87

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 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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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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SMALL CAP VALUE EQUITY COMPOSITE 4/1/08 - 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	15.94	14.80	14.65	11	0.35	19.46	21.75	907	6,019
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

- 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 an annual 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.
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