

Portfolio Commentary

Concentrated Large Cap Value Equity

MARKET REVIEW

Large-cap value stocks broadly continued to rise in the second quarter, albeit at a slower pace than in the first quarter. The Russell 1000® Value Index climbed 5.21% for the period, with increases across most sectors, the largest of which were in energy (+11.80%) and real estate (+10.88%). Only the utilities (-0.38%) sector experienced a decline.

Markets were once again driven by a volatile macro environment. The lower-quality value rally that began late last year, as investors cheered COVID-19 vaccine rollouts and economic reopenings, continued with abandon early in the quarter. However, investors aggressively reversed course to a more defensive growth focus when bond prices jumped and yields sharply declined. Concerns mounted that a virus resurgence with the Delta variant, plateauing vaccination rates, a slowing economic recovery in China, and a potentially more hawkish Fed amid mounting U.S. inflation flareups could all risk derailing global growth prospects. The result was a much bumpier but still generally upward ride as value markets navigated these concerns.

PERFORMANCE

For the quarter, the Ceredex Concentrated Large Cap Value Equity Composite's return of 7.26% (gross)/7.10% (net) outperformed the Russell 1000 Value Index's return of 5.21%. Financials, information technology, and materials stock selection added the most to performance. An overweight in information technology partially offset favorable stock selection in the sector, while stock selection in energy detracted from performance.

Freeport-McMoRan and Capital One Financial were among the strongest stock contributors to relative performance.

- Copper mining company Freeport-McMoRan was a fairly quick trade for us. We bought the stock last quarter after it had been oversold. Shares shot up quickly this quarter with the aggressive increase in copper prices, and we exited the position, locking in attractive profits.
- Bank holding company Capital One Financial, one of our largest holdings, was again a top performer. We bought the stock after it had been oversold in last year's panic, and it has continued to deliver. The company's financial results have benefited from higher consumer spending, strikingly strong credit exposures, and the ongoing release of reserve funds it had stockpiled at the start of the pandemic. We sold some of the stock on the gains to maintain our position size.

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.

Portfolio Characteristics

	Strategy Benchmark	
Market Cap (\$b)	151.3	152.7
Dividend Yield (%)	1.1	1.9
Price-to-Earnings (FY1)	18.8x	17.2x
Price-to-Book	3.3x	2.6x
Price-to-Sales	2.6x	2.2x
Std. Dev. (3 yr) (%)	20.93	19.80
Alpha (3 yr) (%)	4.53	0.00
Beta (3 yr)	1.03	1.00
Std. Dev. (5 yr) (%)	N/A	N/A
Alpha (5 yr) (%)	N/A	N/A
Beta (5 yr)	N/A	N/A

Top Contributors ^{1,2} (%)	Average Weight	Relative Attribution
Freeport-McMoRan, Inc.	2.5	1.4
Capital One Financial Corporation	6.6	1.0
American Express Company	6.5	0.6
PerkinElmer, Inc.	4.0	0.6
Motorola Solutions, Inc.	4.9	0.4
Microsoft Corporation	3.1	0.3
Crown Castle International Corp	2.9	0.2
Qualcomm Inc	5.6	0.2
Progressive Corporation	0.5	0.2
Aptargroup, Inc.	1.0	0.2

Top Detractors ^{1,2} (%)	Average Weight	Relative Attribution
Baker Hughes Company Class A	2.2	-0.6
Global Payments Inc.	5.2	-0.6
Celanese Corporation	3.0	-0.4
KLA Corporation	6.4	-0.3
NextEra Energy, Inc.	4.8	-0.3
Bank of America Corp	2.8	-0.2
Zimmer Biomet Holdings, Inc.	5.2	-0.2
Honeywell International Inc.	5.0	-0.2
General Electric Company	3.8	-0.1
Parker-Hannifin Corporation	3.1	-0.1

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

Top 10 Holdings¹ (% of Portfolio)

American Express Company	6.6
Bank of America Corp	6.5
Capital One Financial Corporation	6.5
PerkinElmer, Inc.	6.2
Humana Inc.	6.2
Qualcomm Inc	5.8
Zimmer Biomet Holdings, Inc.	5.6
NXP Semiconductors NV	5.6
Global Payments Inc.	5.3
Parker-Hannifin Corporation	5.2

All data as of 6/30/21. Source: FactSet.

Baker Hughes and Global Payments were among the largest stock detractors from relative performance.

- We added oil and gas holding company Baker Hughes to the portfolio as the stock sold off during the quarter. Shares, which have been pressured by GE's divestment of its ownership interest, continued to move lower after the purchase, but we believe the company offers attractive long-term upside potential. It has a strong portfolio of oil service businesses and shale technologies and should benefit from improving oil prices.
- Financial technology firm Global Payments reported solid earnings, but shares lagged due to general segment softness, as investors were largely more attracted to businesses with greater operating leverage. We took advantage of the underperformance to add to our position. The company is well-positioned long term, and its leading-edge touchless technology should benefit from increased point-of-sales transactions as economies open.

PORTFOLIO CHANGES

In addition to Baker Hughes, we bought NXP Semiconductors and PepsiCo. In addition to selling Freeport-McMoRan, we exited Becton, Dickinson and Company and Coca-Cola Europacific Partners.

- We purchased chip manufacturer NXP Semiconductors, which should benefit from strong demand in rebounding auto manufacturing and growing momentum in 5G data networking.
- We sold bottling company Coca-Cola Europacific Partners after it had outperformed significantly, using the funds for a new position in snack and beverage manufacturer PepsiCo, which has generally lagged the market, as many consumer staples names have this year. PepsiCo should start benefiting from pricing power supported by strong brand loyalty across its products as economies reopen.
- We exited medical device firm Becton, Dickinson and Company, which has generally been an underperformer for the portfolio, to add to our position in life science equipment manufacturer PerkinElmer, which we believe offers much stronger growth prospects.

PERFORMANCE ATTRIBUTION (%) AS OF 6/30/21

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	0.0	8.5	0.1	0.0	0.1
Consumer Discretionary	0.0	5.7	0.1	-0.1	0.0
Consumer Staples	0.0	7.2	0.1	0.0	0.1
Energy	5.0	5.1	-0.3	-0.7	-1.0
Financials	22.7	20.8	-0.4	1.6	1.2
Healthcare	18.0	17.3	-0.1	0.4	0.3
Industrials	17.1	12.0	-0.2	0.3	0.1
Information Technology	28.4	10.2	-0.8	1.1	0.3
Materials	4.8	3.8	0.4	0.7	1.1
Real Estate	0.0	4.5	0.0	0.0	0.0
Utilities	4.0	4.8	0.0	-0.1	-0.1
Total			-1.0	3.2	2.1

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

With the U.S. economy in full reopening mode, corporate profit growth should be able to continue in a robust fashion that supports further stock valuation gains. The question is really about inflation and whether recent spikes are transitory or potentially stickier, which may prompt global central bank tightening just as fiscal stimulus measures are falling dramatically. For now, business confidence remains high, which can be extremely important for capital expenditures and hiring. Consumers, largely flush with cash, also do not appear overly concerned by recent inflation, but it remains to be seen if further increases might start to erode this confidence. Against this backdrop, we continue to find attractive long-term value potential, particularly in higher-quality cyclical stocks, which offer tremendous operating leverage and should benefit from strong demand and easing supply-chain pressures.

PERFORMANCE COMPARISON (%) AS OF 6/30/21

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Concentrated Large Cap Value Equity Composite (Gross)	7.26	18.91	53.81	17.54	n/a	n/a
Concentrated Large Cap Value Equity Composite (Net)	7.10	18.53	52.82	16.74	n/a	n/a
Russell 1000® Value Index	5.21	17.05	43.68	12.42	11.87	11.61
eVestment Alliance Large Cap Value Median*	5.72	18.04	44.34	13.00	13.21	12.23
# of Portfolios in Median Calculation	362	362	362	353	337	295

eVestment Alliance data capture date: 7/20/21

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 7/1/98.

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

For information, contact:

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CONCENTRATED LARGE CAP VALUE EQUITY COMPOSITE 7/1/98 – 6/30/21

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		
2021 YTD	18.91	18.53	17.05	Five or fewer	N/A	20.93	19.80	2	9,154
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

- 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 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 and retail separate accounts and mutual funds. 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.
- 3. 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.
- 4. 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.
- 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. Effective 4/1/2021, composite net of fee performance is calculated assuming a 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 a fee of 0.70%, the highest fee for this type of investment account.
- 6. 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.
- 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. Creation and Inception Date.** This composite was created March 31, 2018. The Composite has performance history with an inception date of April 1, 2018.
- 11. 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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