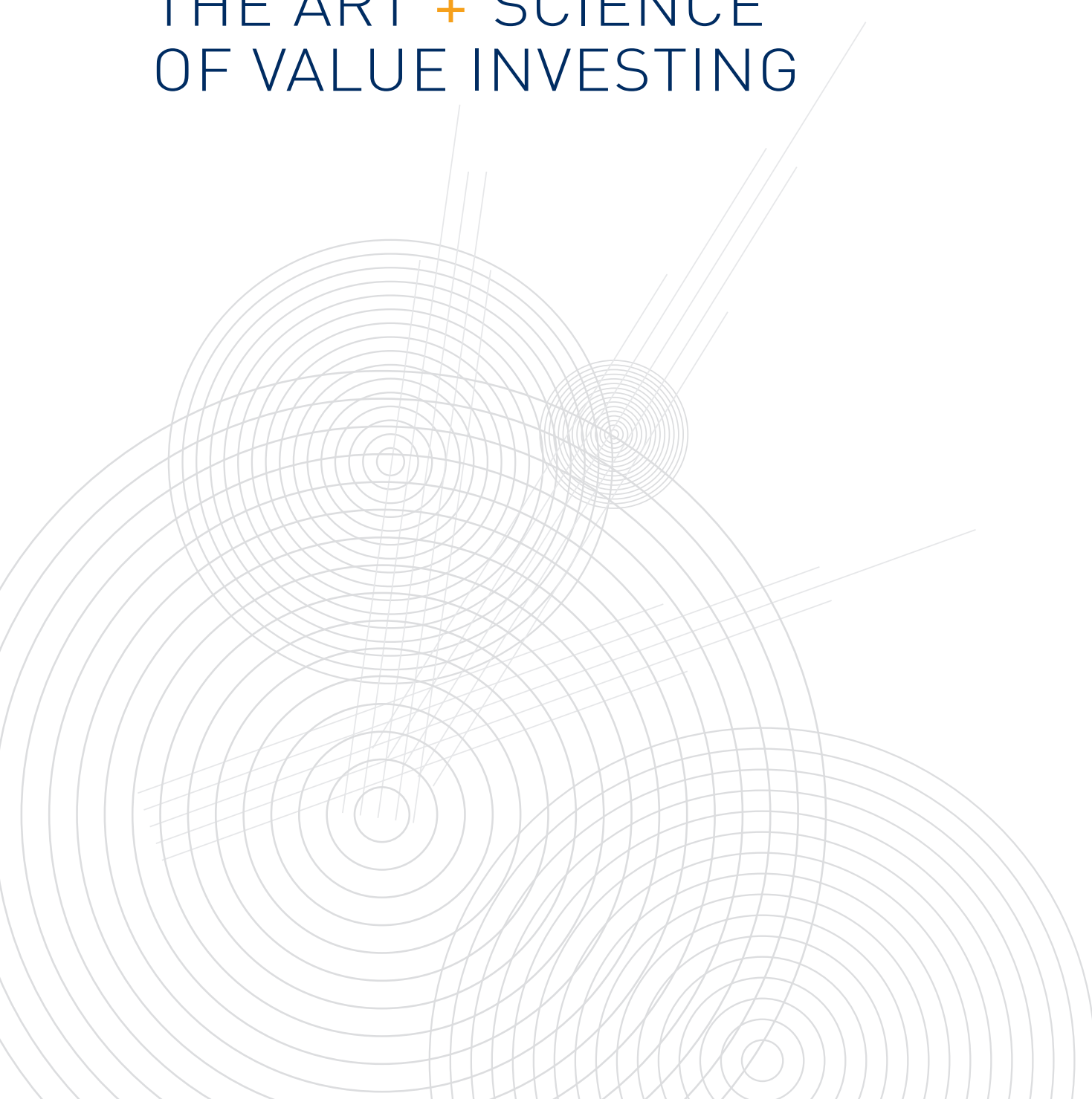




# THE ART + SCIENCE OF VALUE INVESTING



# traditional value investing

## unique approach

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### Experience

Ceredex Value Advisors LLC and its predecessors have managed money for institutions, endowments, foundations, and high-net-worth investors since 1995.<sup>1</sup> Ceredex manages approximately \$8.0 billion in assets<sup>2</sup> and is a wholly owned affiliate of Virtus Investment Partners.

### Continuity

Our core investment team has been managing value equity portfolios together for over 20 years, offering a degree of continuity uncommon in the investment industry.

### Traditional Value Investing

Portfolio managers and analysts collaborate to execute on bottom-up, company-by-company research, studying the distinct nuances of each investment candidate. Our boutique size and horizontal structure provide each portfolio manager with the flexibility and autonomy needed to apply well-informed judgments to time-sensitive decisions.

<sup>1</sup> Ceredex was created March 31, 2008, when all of the investment decision-makers associated with the value equity investment strategies of Virtus Fund Advisers, LLC f/k/a RidgeWorth Capital Management LLC became employees of Ceredex.

<sup>2</sup> As of 12/31/18.

# finding value

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Blending art and science, we seek to capitalize on our distinct perspective gleaned from decades of studying companies.

## Evaluate Companies of all Types and Sizes

There are many companies that are strong, with significant long-term potential for capital appreciation—yet, for various reasons, their stocks may fall out of favor with investors. Our research strives to identify those companies across all market capitalizations, sectors, and industries.

## The Science

Our methodology screens for dividend policies, historic trading levels, and a wide array of financial measures, taking advantage of the science of investing.

## The Art

Finessing those findings is the art. Interpreting the nuances in the data and making informed decisions relies on the distinctive experience, talent, and knowledge of our investment professionals. We believe successful investing requires instinct and boldness—qualities that fundamental research alone cannot reveal.

**Our team prides itself on its thorough review of market demands for each company's products or services, as well as extensive research into financial conditions and management talent.**

**We look to capture compelling opportunities in undervalued securities to help investors achieve their long-term goals.**

# a straightforward approach to a complex problem

## Purchase Criteria

In our search for value, we consistently ask three critical questions:

- 1** Does the company pay a dividend?
- 2** Is the valuation attractive?
- 3** Are the fundamentals improving?

### Dividend Policy

Signals management confidence and discipline

### Attractive Valuation

Identifies low-expectation stocks

### Improving Fundamentals

Reveals indicators for potential appreciation

## Sell Discipline

Equally important is our decision process about exiting a position. A change in any of our criteria, whether a revision to dividend policy, meeting our valuation target, or deteriorating fundamentals, may send a signal, causing us to remove a security from our portfolios.

**We believe that undervalued, dividend-paying stocks with improving fundamentals have the potential to produce positive investment results.**

# 1

## Understanding Dividends

Our dividend requirement immediately disqualifies thousands of stocks, allowing us to concentrate solely on those we believe are the best candidates for our portfolios.

- **Future earnings potential.** Dividends reflect management's confidence in its ability to generate profits.
- **Corporate discipline.** To pay dividends on a periodic basis, a company must impose a high degree of control over its business operations to meet future earnings targets and keep its objectives, product plans, and expenses in good order.
- **Transparency.** Paying a dividend also validates the transparency of a company's accounting process and increases the credibility of its earnings reports. Dividends have other virtues, too—not only can they contribute to an investment's total return, but the inclusion of dividend-paying equities in a portfolio may also lower overall share price volatility.

# 2

## Assessing Valuation

Our disciplined valuation approach identifies companies trading at the lower end of their historical valuation range, with the potential for improving fundamentals that may reignite investor interest and transform a value stock into an opportunity.

- **Absolute and relative value.** We analyze a firm's discount valuation on both an absolute and relative basis, comparing a company to its peers, industry, market, and historical trading levels.
- **Specific metrics.** While other managers may apply "one-size-fits-all" valuation constraints across their entire portfolio, our methodology targets specific financial metrics that we believe provide the best measure of value based on the security's industry or sector.

# 3

## Identifying Potential

We are constantly looking for signs that a company's fundamentals have the potential to improve.

- **Bottom-up analysis.** We study each company, creating a mosaic of information from its balance sheet, income statement, cash flow statement, and management.
- **Expectations.** We monitor the market and the company to reveal possible catalysts for fundamental change—such as a positive initiative like a change in management, business restructuring, or product innovation—that have the potential to repair a stock's valuation disparity.

# Ceredex Value Advisors

Offering a consistent, value-driven process, a Ceredex strategy can serve as a dynamic addition to — or complement — an existing portfolio.

## Separately Managed Accounts

- Large Cap Value Equity Portfolio Strategy
- Mid-Cap Value Equity Portfolio Strategy
- Small Cap Value Equity Portfolio Strategy

## Subadvised Mutual Funds

- Virtus Ceredex Large-Cap Value Equity Fund
- Virtus Ceredex Mid-Cap Value Equity Fund
- Virtus Ceredex Small-Cap Value Equity Fund

## Subadvised Collective Investment Trusts

- Ceredex Large Cap Value Equity Trust
- Ceredex Mid-Cap Value Equity Trust

**The science of investing, in the form of precise calculations and financial measures, forms the cornerstone of our organization. The art of investing combines vision, skilled craftsmanship, and instinct. Together, art and science shape our comprehensive approach to value investing.**

# meet our team

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## Portfolio Managers

**Mills Riddick, CFA**  
Large Cap Value  
Portfolio Manager  
Chief Investment Officer  
Industry start date: 1982

**Donald Wordell, CFA**  
Mid-Cap Value  
Portfolio Manager  
Industry start date: 1996

**Brett Barner, CFA**  
Small Cap Value  
Portfolio Manager  
Industry start date: 1985

## Value Equity Analysts

**Charles E. Carter, CFA**  
Research Analyst  
Consumer Staples &  
Consumer Discretionary  
Industry start date: 2001

**Jennifer W. Graff, CFA**  
Research Analyst  
Industrials  
Industry start date: 2001

**Melissa Miller, CFA**  
Research Analyst  
Financials  
Industry start date: 2001

**Nicole G. Blakley, CFA**  
Research Analyst  
Energy and Materials  
Industry start date: 2004

**Cody Smith, CFA**  
Research Analyst  
Health Care and Technology  
Industry start date: 2004

**Jason E. Fraser, CFA**  
Research Analyst  
Financials and Telecom  
Industry start date: 2005

**Hein Hanekom, CFA**  
Research Analyst  
Utilities  
Industry start date: 2005

**J. David Maynard**  
Research Analyst  
Industrials  
Industry start date: 2005

## Client Team

**Steve Loncar**  
Client Portfolio Manager  
Industry start date: 1997

**Sarah Thompson**  
Portfolio Specialist  
Industry start date: 2000

As of 12/31/18



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The Funds are the successors of the former RidgeWorth Funds which carried substantially the same names, investment objectives, and strategies, as a result of their reorganization with and into the Funds on July 14, 2017.

Each trust referenced is a trust for the collective investment of assets or participating tax qualified pension and profit sharing plans and related trusts and governmental plans, as more fully described in the respective Declaration of Trust. As bank collective trusts, these CITs are exempt from registration as investment companies. Each Collective Investment Trust referenced is managed by SEI Trust Company, the trustee. To assist with the management of the trusts, the trustee has retained the services of Virtus Fund Advisors, LLC (the "Adviser"). As authorized by the Trust, the Adviser has retained Ceredex Value Advisors LLC to act as sub-investment advisor to the trusts. SEI Trust Company (the "Trustee") serves as the Trustee of the Fund and maintains ultimate fiduciary authority over the management of, and the investments made, in the Fund. The Fund is part of a Collective Investment Trust (the "Trust") operated by the Trustee. The Trustee is a trust company organized under the laws of the Commonwealth of Pennsylvania and wholly owned subsidiary of SEI Investments Company. For more information, please call Virtus Retirement Sales Support at 860-263-4815.

Investing involves risk including loss of principal. There is no guarantee that the goals of a Collective Investment Trust will be met.

#### **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:** Are subject to the risk that the broad market may not recognize their intrinsic value. Dividends reflect past performance and there is no guarantee they will continue to be paid. **Prospectus:** For additional information on risks, please see the Fund's prospectus.

There is no guarantee a specific investment strategy will be successful. Individual investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions. Investment process, strategies, and procedures detailed in this presentation are intended to be general guidelines, subject to market conditions and client-specific investment guidelines and restrictions, and are measured at time of purchase. Ceredex Value Advisors LLC may deviate from these guidelines if market conditions warrant, or if the investment professionals deem doing so would be in the clients' best interests. Guidelines do not guarantee any reduction of risk or loss.

**Please carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, contact your financial representative, call 1-800-243-4361, or visit [virtus.com](http://virtus.com) for a prospectus or summary prospectus. Read it carefully before investing.**

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