

Portfolio Commentary

Large Cap Value Equity

Q3 | 2019

MARKET REVIEW

The third quarter saw increased market volatility, with U.S. stocks delivering mixed performance. Both the value and growth large-cap segments delivered modestly positive returns, outperforming the general losses of their small-cap counterparts. Large-cap value stocks, as measured by the Russell 1000® Value Index, rose 1.36% in the quarter, with the largest gains in the utilities (+8.25%), real estate (+8.00%), and consumer staples (+5.92%) sectors, and the weakest performance in the energy (-6.72%), healthcare (-3.05%), and materials (-2.18%) sectors.

After a tepid start in July, markets were rattled by an escalation in U.S.-China trade tensions that sparked a sharp sell-off and kept volatility high throughout August, before stocks broadly regained their footing in September. Signs of continued deceleration in global economic growth increased the general level of uncertainty. Even the Federal Reserve's back-to-back rate cuts, in August and September, failed to fully shake off elevated market nervousness, as investors continued to worry that monetary policy on its own may not be enough to protect against late-cycle slowing.

PERFORMANCE

For the quarter, the Ceredex Large Cap Value Equity Composite's return of 3.91% (gross)/3.71% (net) outperformed the Russell 1000 Value Index's return of 1.36%. Stock selection within the healthcare, industrials, energy, and consumer staples sectors contributed the most to performance. Stock selection within the communication services sector and an underweight position in the consumer staples sector were the largest detractors from returns.

Zimmer Biomet Holdings and Kellogg Company were the strongest stock contributors in the quarter.

- Medical device company Zimmer Biomet had a strong quarter, buoyed by continued earnings strength and investor enthusiasm around the firm's existing ROSA robotic surgery systems and new product announcements. We maintained our position, as we continue to see tremendous upside in the stock.
- Food manufacturer Kellogg rallied on better-than-expected earnings and a general rebound after being oversold last quarter. The company's continued business investment in marketing, advertising, and on-trend new products has paid off in top-line growth momentum above many of its competitors. We took advantage of the price gains to sell some of our position.

PORTFOLIO

CHARACTERISTICS	Portfolio	Benchmark
Market Cap (\$b)	131.91	121.12
Dividend Yield (%)	2.25	2.55
Price-to-Earnings*	17.21	16.73
Price-to-Book	2.44	1.94
Price-to-Sales	1.49	1.58
Std. Dev. (3 yr) (%)	12.76	12.17
Alpha (3 yr) (%)	1.31	0.00
Beta (3 yr)	1.03	1.00
Std. Dev. (5 yr) (%)	12.52	11.82
Alpha (5 yr) (%)	0.48	0.00
Beta (5 yr)	1.04	1.00

*P/E is calculated using trailing 12-month earnings.

TOP

CONTRIBUTORS ^{1,2} (%)	Average Weight	Relative Attribution
Zimmer Biomet Holdings, Inc.	4.76	0.63
Kellogg Co.	2.54	0.62
NextEra Energy, Inc.	3.31	0.34
Fidelity National Information Services, Inc.	4.48	0.30
L3Harris Technologies Inc.	1.88	0.23
Crown Castle International Corp.	3.24	0.23
Boeing Co.	3.14	0.19
Progressive Corp.	0.46	0.14
Public Service Enterprise Group Inc.	2.23	0.13
Parker-Hannifin Corp.	1.70	0.13

TOP

DETRACTORS ^{1,2} (%)	Average Weight	Relative Attribution
Xilinx, Inc.	1.31	-0.33
BP plc Sponsored ADR	3.04	-0.28
DuPont de Nemours, Inc.	3.59	-0.26
Humana Inc.	4.55	-0.20
Nucor Corp.	1.17	-0.12
Omnicom Group Inc.	1.92	-0.11
Honeywell International Inc.	3.45	-0.10
Chevron Corp.	3.17	-0.07
Wells Fargo & Co.	1.28	-0.07
Abbott Laboratories	3.55	-0.04

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

TOP 10 HOLDINGS¹ (% of Portfolio)

Zimmer Biomet Holdings, Inc.	4.87
JPMorgan Chase & Co.	4.74
CSX Corp.	4.52
Fidelity National Information Services, Inc.	4.45
Humana Inc.	4.22
Emerson Electric Co.	4.06
Bank of America Corp.	4.05
Honeywell International Inc.	3.99
Parker-Hannifin Corp.	3.96
Boeing Company	3.81

All data as of 9/30/19. 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.

Xilinx and BP were the largest stock detractors in the quarter.

- Shares of new portfolio holding semiconductor company Xilinx fell on concerns about trade war exposure and the recent ban on U.S. companies making sales to Chinese telecommunications giant Huawei Technologies. We took advantage of the price weakness to add to our position given the firm's strength in 5G and artificial intelligence technologies.
- British multinational oil and gas company BP declined on weak oil prices and general market malaise over the Brexit situation. We continued to hold the stock, as we believe it remains one of the most attractive in the integrated oil company segment. Management has been extremely focused on returns, cash flows have been solid, and the stock's yield has remained very attractive. However, we did not add to the position as we are generally not overly bullish on oil prices.

PORTFOLIO CHANGES

During the quarter, we initiated new positions in Xilinx (discussed above) and CSX, and we sold our positions in Analog Devices, General Dynamics, and United Technologies.

- We bought railroad company CSX Corporation, which has been trading at attractive valuations due to lost market share. We expect the company will regain its footing given the materially improved service metrics from its precision scheduled railroading modeling.
- We sold semiconductor manufacturer Analog Devices as it had reached our price target after posting strong year-to-date gains.
- We exited aerospace and defense firm General Dynamics as it neared our price target, due to increasing concerns around business jet demand in its Gulfstream Aerospace unit.
- We sold multinational conglomerate United Technologies, also as it approached our price target. We were concerned about potential dilution in the company's earnings momentum from the proposed, complicated merger of its aerospace operations with Raytheon.

PERFORMANCE ATTRIBUTION (%) AS OF 9/30/19

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	7.70	8.19	0.06	-0.33	-0.28
Consumer Discretionary	5.29	6.09	-0.05	0.09	0.05
Consumer Staples	1.08	9.17	-0.25	0.48	0.23
Energy	8.16	8.37	-0.18	0.52	0.35
Financials	14.73	23.56	-0.06	0.39	0.33
Healthcare	15.37	12.40	-0.14	1.13	0.99
Industrials	23.81	9.41	-0.16	1.08	0.92
Information Technology	16.06	6.02	0.13	-0.11	0.03
Materials	1.61	4.29	-0.06	-0.05	-0.11
Real Estate	3.05	5.51	-0.04	0.04	0.01
Utilities	3.12	7.00	-0.03	0.16	0.13
Total			-0.77	3.41	2.65

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

At these late stages of both the business and market cycles, stock multiples remain high based on an absolute basis, but not necessarily relative to bond yields and other investment metrics, where they continue to appear fairly reasonable. As such, we believe select opportunities for attractive long-term return potential remain, just not at cheap valuations. The U.S. economy has continued to grind slowly along, earnings have not been bad, and employment levels and consumer confidence have remained solid. At the same time, business confidence and capital expenditure spending have stayed stubbornly low. Still, with all the uncertainty swirling around the market landscape, it remains as important as ever to pay close attention to company fundamentals.

PERFORMANCE COMPARISON (%) AS OF 9/30/19

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Large Cap Value Equity Composite (Gross)	3.91	20.96	4.82	11.06	8.57	12.30
Large Cap Value Equity Composite (Net)	3.71	20.30	4.04	10.24	7.77	11.55
Russell 1000® Value Index	1.36	17.81	4.00	9.43	7.79	11.46
eVestment Alliance Large Cap Value Median*	1.73	17.53	2.39	10.29	8.14	11.78
# of Portfolios in Median Calculation	373	373	373	363	355	305

eVestment Alliance data capture date: 10/22/19

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.

For information, contact:

Ceredex Value Advisors | 407-674-1270 | www.ceredexvalue.com

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LARGE CAP VALUE EQUITY COMPOSITE 7/1/98 – 9/30/19

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		
2019 YTD	20.96	20.30	17.81	13	0.26	12.76	12.17	2,670	8,706
2018	-9.52	-10.20	-8.27	15	0.05	11.53	10.82	2,654	7,722
2017	17.12	16.26	13.66	24	0.25	10.71	10.20	3,765	10,095
2016	16.47	15.63	17.34	23	0.19	11.32	10.77	4,291	10,845
2015	-3.79	-4.51	-3.83	23	0.13	11.19	10.70	3,570	10,227
2014	12.09	11.26	13.45	20	0.14	9.29	9.20	4,078	12,269
2013	35.28	34.30	32.53	23	0.11	12.67	12.70	3,699	11,693
2012	17.18	16.31	17.51	22	0.21	15.71	15.51	3,189	8,740
2011	-0.83	-1.57	0.39	14	N/A	19.05	20.69	2,196	6,493
2010	19.27	18.39	15.51	7	0.25	21.39	23.18	1,411	4,691
2009	25.63	24.88	19.69	7	0.27	18.99	21.10	1,341	3,082

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 has been independently verified for the period March 31, 2008 (the date of the Firm's founding) through December 31, 2018. A copy of the verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

- 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 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. Composite performance results are linked to performance history generated at RidgeWorth.
- The Large Cap Value Strategy composite includes fully discretionary separately managed investment accounts and registered and unregistered mutual funds managed in accordance with the large cap value style with the objective of producing long-term capital appreciation and income. Under normal circumstances, 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. 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. 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. A complete description of the composite is available on request.
- The benchmark for the 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.
- The three-year annualized standard deviations for the composite and the benchmark index are calculated using monthly returns.
- Valuations and returns are computed and stated in U.S. Dollars.
- 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.
- The dispersion of annual returns is measured by the equal-weighted standard deviation of portfolio returns represented within the composite for the full year. No dispersion is reported for periods with five or fewer portfolios (shown as N/A).
- 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. Composite net of fee performance is calculated assuming a fee of 0.75%, the highest fee for this type of investment account.
- The standard management fee schedule applicable to large cap equity accounts is as follows: 0.75% on the first \$10 million, 0.45% on the next \$40 million, and 0.25% on all over \$50 million. The minimum annual fee is \$10,000. Actual investment advisory fees incurred by clients may vary.
- This composite was created March 31, 2008, the inception date of Ceredex, and continues the investment strategy of a composite originally created in 1998. The Composite has performance history with an inception date of July 1, 1998.
- The minimum portfolio size for the Large Cap Value Strategy composite is \$500,000. For further information on investment management fees, please refer to Form ADV Part 2.
- Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- A complete list and description of firm composites and performance results is available upon request.
- Past performance is not indicative of future results and no investment is guaranteed for return of principal and/or return on investments. Results will vary among accounts. All information provided and used in calculations is believed to be correct, but accuracy cannot be guaranteed. Please consult with a financial professional before investing.