

Portfolio Commentary

Mid-Cap Value Equity

Q1 | 2020

MARKET REVIEW

After a spectacular run in 2019, U.S. stocks started the year on rocky terrain, as coronavirus concerns mounted and began to weigh on companies that appeared vulnerable to potential global economic disruptions. In March, the gathering crisis exploded into a worldwide COVID-19 pandemic, derailing markets as governments around the globe closed businesses and shut down their economies with stay-at-home mandates. An oil price collapse exacerbated by a price war between Saudi Arabia and Russia further pressured economic and stock losses.

The Russell Midcap® Value Index tumbled 31.71% in the quarter, falling across sectors. The steepest losses were in energy (-62.75%), consumer discretionary (-43.84%), and financials (-37.59%). The most defensive sectors were utilities (-17.55%), healthcare (-17.99%), and consumer staples (-18.72%). In this extreme climate, broad momentum drove stocks more than fundamentals, with large-cap stocks generally faring better than small-cap stocks.

PERFORMANCE

For the quarter, the Ceredex Mid-Cap Value Equity Composite's return of -33.93%/-34.07% (gross/net) underperformed the Russell Midcap Value Index's return of -31.71%. Stock selection within the consumer staples, consumer discretionary, and information technology sectors weighed the most on performance, as did an underweight utilities position. Stock selection in the real estate and financials sectors and overweight positions in information technology and healthcare added the most to returns.

Xilinx and Progressive were the strongest stock contributors to relative performance.

- Semiconductor manufacturer Xilinx outperformed the broader benchmark, supported by the less cyclical nature of its 5G and artificial intelligence technologies. We took advantage of the relative outperformance to trim our position, putting proceeds to work in more attractively priced stocks with more favorable risk/reward valuations after the market selloff.
- Auto insurer Progressive offered defensive attributes due to its competitive strength and industry-leading technology. Fewer people driving during the shutdown also meant lower accident frequency and severity exposures. As with Xilinx, we trimmed the position for more compelling opportunities.

PORTFOLIO

CHARACTERISTICS	Portfolio	Benchmark
Market Cap (\$b)	16.97	12.32
Dividend Yield (%)	2.91	3.36
Price-to-Earnings*	13.48x	12.25x
Price-to-Book	1.54x	1.33x
Price-to-Sales	1.06x	0.95x
Std. Dev. (3 yr) (%)	20.12	19.25
Alpha (3 yr) (%)	2.47	0.00
Beta (3 yr)	1.04	1.00
Std. Dev. (5 yr) (%)	17.70	16.78
Alpha (5 yr) (%)	2.30	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
Xilinx, Inc.	4.19	1.06
Progressive Corp.	3.29	1.00
SBA Communications Corp. Class A	1.82	0.67
KLA Corp.	3.13	0.66
Humana Inc.	2.81	0.64
Willis Towers Watson Public Limited Co.	3.06	0.43
FirstEnergy Corp.	2.97	0.39
Cooper Companies, Inc.	1.37	0.33
Motorola Solutions, Inc.	3.62	0.31
American Homes 4 Rent Class A	1.15	0.28

TOP

DETRACTORS ^{1,2} (%)	Average Weight	Relative Attribution
Diamondback Energy, Inc.	2.15	-1.72
Sabre Corp.	1.61	-1.67
Marathon Petroleum Corp.	2.57	-1.11
Spirit AeroSystems Holdings, Inc. Class A	2.02	-1.05
Comerica Inc.	2.11	-0.74
Energizer Holdings Inc.	3.25	-0.50
Zions Bancorporation, N.A.	2.48	-0.49
Darden Restaurants, Inc.	0.10	-0.49
Royal Caribbean Cruises Ltd.	0.72	-0.43
Noble Energy, Inc.	1.21	-0.39

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

TOP 10 HOLDINGS¹ (% of Portfolio)

Zimmer Biomet Holdings, Inc.	4.61
Xilinx, Inc.	4.47
KLA Corp.	3.41
FirstEnergy Corp.	3.40
Motorola Solutions, Inc.	3.31
Humana Inc.	3.25
Energizer Holdings Inc.	3.14
Willis Towers Watson Public Limited Co.	2.99
Marathon Petroleum Corp.	2.78
PPG Industries, Inc.	2.65

All data as of 3/31/20. 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.

Diamondback Energy and Sabre were the largest stock detractors from relative performance.

- Hydrocarbon exploration company Diamondback Energy fell on the plummet in oil prices. We had become more bearish on the energy sector last quarter, reducing overall holdings but maintaining this firm, based on its position as a best-in-industry shale producer. However, with the segment's steep declines, we exited the stock.
- Travel technology firm Sabre also sharply declined. The ticketing software provider runs the back-end reservation systems for many airlines, hotels, and cruise lines, which are all facing major financial impacts from the pandemic. While it remains unclear how long the virtual halt in travel and tourism might last, we sold the stock, as the company had eliminated its dividend.

PORTFOLIO CHANGES

We were very active in the portfolio during the quarter, both exiting stocks as well as adding a number of new holdings. The investment data inputs, modeling, and multiples we are assigning reflect the new market realities and has naturally led to a change in the stocks currently offering the most attractive potential. We are concentrating on companies most likely to emerge out of the crisis in relatively solid financial shape and that are well positioned to leverage and adapt their business models to thrive in the new normal.

We also remain firmly focused on the same three disciplined tenets that have guided our investment process since inception: 1) Does the stock pay a dividend? 2) Is the valuation attractive? 3) Is there a fundamental story? A negative change in any of these criteria results in removal from the portfolio, and has prompted several exits, particularly as many dividend payouts have come under intense pressure. This strict discipline has served our investors well over the long term in the past, and we expect it to continue to do so in today's tumultuous environment.

PERFORMANCE ATTRIBUTION (%) AS OF 3/31/20

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	2.50	3.99	-0.04	-0.02	-0.06
Consumer Discretionary	5.91	7.48	0.30	-0.65	-0.35
Consumer Staples	3.14	5.63	-0.15	-1.11	-1.26
Energy	2.78	3.11	-0.60	-0.99	-1.59
Financials	19.09	16.75	-0.10	0.29	0.19
Healthcare	10.24	8.28	0.44	-0.08	0.35
Industrials	13.78	11.96	0.12	-0.58	-0.46
Information Technology	18.44	7.96	1.12	-1.03	0.09
Materials	7.08	7.09	-0.10	-0.32	-0.42
Real Estate	7.12	14.14	0.40	0.92	1.32
Utilities	9.93	13.62	-0.74	0.01	-0.73
Total			0.64	-3.56	-2.90

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

While it is unclear how long the current volatility may continue, we believe it should provide investors who have mid- to long-term time horizons an opportunity to invest in high-quality companies selling at levels not seen since the 2008 financial crisis. Nearer term, however, the timing and shape of any recovery will likely be determined by the COVID-19 virus, based on new case progression and the introduction of active testing, tracking, and, eventually, a vaccine.

With this in mind, we continue to analyze all of our holdings to assess the potential short- and long-term effects of the pandemic, recognizing that our job is to select and own companies with the strongest potential to weather this storm. The Ceredex investment team has been working together for more than 25 years and is experienced at navigating extreme volatility. Indeed, this is the fourth "black swan" event that many of us have experienced in our careers, and the lessons we've learned helps to inform and guide our decisions as we move through this new crisis.

PERFORMANCE COMPARISON (%) AS OF 3/31/20

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Mid-Cap Value Equity Composite (Gross)	-33.93	-33.93	-22.46	-3.99	1.36	7.80
Mid-Cap Value Equity Composite (Net)	-34.07	-34.07	-23.05	-4.71	0.61	7.01
Russell Midcap® Value Index	-31.71	-31.71	-24.13	-5.97	-0.76	7.22
eVestment Alliance Midcap Value Median*	-32.04	-32.04	-23.11	-6.14	-0.62	7.00
# of Portfolios in Median Calculation	106	106	106	105	100	90

eVestment Alliance data capture date: 4/23/20

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 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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*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 issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund's assets as intended.

For information, contact:

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Q1 | 2020 Mid-Cap Value Equity

MID-CAP VALUE EQUITY COMPOSITE 4/1/02 – 3/31/20

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		
2020 YTD	-33.93	-34.07	-31.71	8	0.59	20.12	19.25	3,023	6,005
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
2013	32.65	31.68	33.46	12	0.15	16.52	13.69	4,432	11,693
2012	23.07	22.15	18.51	9	N/A	20.63	16.76	2,857	8,740
2011	-6.31	-7.01	-1.38	4	N/A	23.75	22.78	1,940	6,493
2010	29.32	28.37	24.75	3	N/A	26.50	27.11	1,587	4,691

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 Mid-Cap Value Strategy composite includes all fully discretionary separately managed investment accounts and registered mutual funds 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 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 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.
- 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 standard deviation across equal-weighted 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 mid-cap value accounts is as follows: 0.75% on the first \$25 million, 0.65% on the next \$25 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.
- 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.
- The minimum portfolio size for the Mid Cap Value Strategy composite is \$1 million. 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 may 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.