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**FIRM BROCHURE (FORM ADV Part 2A)**

**June 30, 2017**

This Brochure provides information about the qualifications and business practices of Ceredex Value Advisors LLC ("Ceredex"). If you have any questions about the contents of this Brochure, please contact us at 407-674-1270 and/or [www.ceredexvalue.com](http://www.ceredexvalue.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Ceredex is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Ceredex is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## ITEM 2 MATERIAL CHANGES

This Brochure, dated June 30, 2017, was prepared according to the SEC's requirements and rules. This Item is used to provide a summary of new or updated material information since the last annual update of our Brochure on March 29, 2017. We made the following material changes to this Brochure:

### Item 4 Advisory Business:

- Revised language in connection with ownership and name changes:

Ceredex Value Advisors LLC ("Ceredex" or the "Firm") is a 100% owned subsidiary of Virtus Fund Advisers, LLC ("VFA"), which was formerly known as RidgeWorth Capital Management LLC ("RidgeWorth") prior to the acquisition of RidgeWorth by Virtus Investment Partners, Inc. ("Virtus") on June 1, 2017. VFA is an investment adviser registered with the SEC and is also a money management holding company. VFA is a wholly owned subsidiary of Virtus Intermediate Holdings LLC ("VIH"), which is wholly owned by Virtus Partners, Inc. ("VP"), whose parent company is Virtus. Virtus, a publicly traded firm, is singularly committed to the long-term success of individual and institutional investors, offering asset management through its affiliated managers and select subadvisers (see [www.virtus.com](http://www.virtus.com)).

### Item 10 Other Financial Industry Activities and Affiliations

- Updated related persons after acquisition by Virtus

### Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- Revised restricted securities language to remove references to Lightyear Capital LLC and to include Virtus

### Item 17 Voting Client Securities

- Revised language to remove references to Lightyear Capital LLC and to include Virtus

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Part 2A – Wrap Fee (not applicable)

## ITEM 4 ADVISORY BUSINESS

Ceredex is a 100% owned subsidiary of VFA, which was formerly known as RidgeWorth prior to the acquisition of RidgeWorth by Virtus on June 1, 2017. VFA is an investment adviser registered with the SEC and is also a money management holding company. VFA is a wholly owned subsidiary of VIH, which is wholly owned by VP, whose parent company is Virtus. Virtus, a publicly traded firm, is singularly committed to the long-term success of individual and institutional investors, offering asset management through its affiliated managers and select subadvisers (see [www.virtus.com](http://www.virtus.com)).

Prior to March, 2008, Ceredex provided value equity investing as part of Trusco Capital Management, which was later renamed RidgeWorth Capital Management and now VFA. In 2008, Ceredex was established as a separate legal entity and investment adviser registered with the SEC.

VFA, Ceredex's parent company, provides discretionary and non-discretionary advisory services to clients through a series of three wholly owned subsidiaries and one minority owned adviser (individually, a "Boutique", or collectively, the "Boutiques"), each of which is an investment adviser registered with the SEC. Ceredex is one of these Boutiques, offering value-equity strategies which are available in three portfolios: large cap, mid-cap and small cap. See "Investment Advisers" under Item 10 of this Brochure and Item 10 of Form ADV Part 2A of VFA and each other Boutique for a more detailed description of VFA and other Boutiques.

VFA offers two primary separately managed account products utilizing Ceredex:

- i. Single discipline managed accounts in Ceredex's style, where a client would hire VFA and VFA would delegate investment authority to Ceredex, and
- ii. Multi-discipline managed accounts, where a client would hire VFA and VFA would delegate portions of the account's management to its different Boutiques, including Ceredex.

If a client elects to receive advisory or other services directly through VFA, VFA may establish an account for such client. Depending on whether or not the client desires a single or multi-discipline investment focus, VFA will subadvise to Ceredex alone or to Ceredex in combination with one or more of the relevant Boutique(s), pursuant to written subadvisory agreements executed between the applicable Boutique(s) and VFA that govern the provision of services to the client.

Clients can also contract for such advisory services directly with Ceredex.

Ceredex provides – directly or as subadviser to VFA – discretionary investment supervisory services to institutional clients, including investment companies ("Mutual Funds", including the RidgeWorth Mutual Funds, which subject to final approvals, will reorganize in July 2017 into a newly created corresponding series of the Virtus Asset Trust and be renamed under the Virtus umbrella ("Virtus Mutual Funds"), registered under the Investment Company Act of 1940, as amended ("1940 Act") and Undertakings for Collective Investment in Transferable Securities ("UCITS") authorized under the European Directive. Ceredex also provides these services, both under direct contract with a client and indirectly as subadviser under contracts with VFA, to pension and profit sharing plans, educational endowments and related funds, public and private foundations, governmental entities, other corporate entities, and high net worth clients. Ceredex serves as a non-discretionary investment subadviser to the RidgeWorth Collective Trust and receives fees for the non-discretionary investment subadvisory services it provides thereunder. Customized investment management services are based on the account's investment guidelines which may consider client criteria such as organizational structure, risk assessment, liquidity and cash flow, income needs, tax consequences, other sources of funds to meet obligations, general economic conditions, social and other preferences. Clients can place reasonable restrictions on Ceredex's investment discretion. The most common restrictions are social restrictions or those that prohibit us from buying specific companies. Investment guidelines and restrictions must be provided to Ceredex in writing, and may impact performance.

As of 12/31/2016, Ceredex had discretionary assets under management of \$10.7 billion and non-discretionary assets under management of \$91.7 million.

## ITEM 5 FEES and COMPENSATION

Ceredex's fees are competitive, and higher or lower fees may be available elsewhere for the same type of services. Ceredex charges most of its clients a fixed-percentage fee per annum for investment advice based on assets under management, payable quarterly in arrears. Assets under management include a client's uninvested cash position for which Ceredex does not provide investment advice. Fees may vary based on account type and client services requested. Determining factors include: number and frequency of reports and client meetings, individual security investments versus common or collective funds, mutual funds or private fund investments, investment guidelines and restrictions, and account size.

Ceredex reserves the right to negotiate all fees and annual minimums based on individual client considerations.

Initial fees are calculated based upon the number of days in the quarter the account came under management. Subsequent quarters are billed in full unless clients terminate the relationship prior to the end of the quarter, in which case the fee is prorated for the number of days prior to termination. Ceredex will invoice the client or the client's custodian directly as instructed by the client in the investment advisory agreement. A client may authorize its custodian to debit its account for the investment advisory fee and remit directly to Ceredex. It is important that you compare the client reports you receive directly from us to the statements you receive from your custodian. Ceredex's standard advisory contract is cancelable by either the client or Ceredex 30 days after receipt or delivery of written notice. Other termination conditions may be negotiated to accommodate special client requirements.

Ceredex's basic advisory fee schedules, subject to negotiation based on the above-described factors, are set forth below. If Ceredex is used by VFA as subadviser in providing advisory services to clients, such clients will not incur any increase in advisory or other fees as a result of any such subadvisory arrangement. VFA will share its fees with Ceredex when Ceredex is used to provide subadvisory services to VFA. Fees for individual accounts, employee benefit relationships, tax-exempt institutional accounts such as charitable foundations, endowments, corporate accounts, and other institutional client accounts are primarily based on the market value of the assets under management in accordance with the following schedules:

### ADVISORY FEE SCHEDULES

Large Cap Value	Mid-Cap Value	Small Cap Value*
0.75% on the first \$10 million	0.75% on the first \$25 million	1.00% on the first \$10 million
0.45% on the next \$40 million	0.65% on the next \$25 million	0.80% on the next \$40 million
0.25 % on all over \$50 million	0.55% on the next \$50 million	0.60% on all over \$50 million
	0.50 % on all over \$100 million	
Minimum Annual Fee \$10,000	Minimum Annual Fee \$15,000	Minimum Annual Fee \$10,000

\*Effective April 20, 2012, the Small Cap Value strategy closed to new investors.

In addition to Ceredex's investment management fees, a client's account pays trading costs. See Item 12 - Brokerage Practices. Ceredex does not custody client assets, thus a client will contract separately with a qualified custodian and pay custody fees charged by its selected custodian.

Ceredex or Boutiques act as adviser or subadviser to one or more Mutual Funds or unregistered funds, including but not limited to LPs, LLCs, foreign funds, CLOs, etc. ("Private Funds", and together with Mutual Funds, "Funds") or manage accounts that invest in such Funds or third party Funds.

To the extent that client accounts are invested in Mutual Funds, these funds generally charge a management fee for their services as investment managers. This management fee, along with other charges, is included in the "expense ratio" of the fund. These fees are described in each fund's prospectus and are in addition to the fees you pay to Ceredex. However, when a Ceredex portfolio manager determines to invest assets of an individual discretionary client in a Mutual Fund for which it (or an affiliate) also acts as adviser and/or subadviser and receives an investment advisory fee, the Firm will offset the Mutual Fund fee against the individual advisory fee.

Private Fund fees vary by Private Fund and are described in each Private Fund's offering memorandum.

Some of our supervised persons accept compensation via an internal sales bonus for the sale of securities or other investment products, including from the sale of affiliated Mutual Funds which pay us an advisory fee. This practice presents a conflict of interest and gives us and our supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. We address conflicts that arise, including disclosing the conflicts to clients. The Firm's supervised persons do not typically talk with or promote products to individuals. Supervised persons talk with platform partners and advisers about potential investments and those firms' supervised persons have the responsibility of assessing the needs of the end client. The Firm's supervised persons do talk directly with institutional prospects and/or institutional clients.

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

## **ITEM 6 PERFORMANCE-BASED FEES and SIDE BY SIDE MANAGEMENT**

In certain instances, Ceredex may be compensated for investment advisory services based on a share of the overall account performance of all or a portion of client assets (an "incentive fee"). The terms of any incentive fee are based upon a negotiated arrangement with the client. Ceredex anticipates that such client relationships and arrangements will also pay "base fees" calculated on the market value of the assets under management. Ceredex will enter into an incentive fee arrangement only at a client's request, and only if the client account qualifies for exclusion under Section 205 of the Investment Advisers Act of 1940, as amended ("Advisers Act") and Advisers Act Rule 205(a)(1) or 205-3 relating to exemption from certain compensation prohibitions.

Ceredex does not currently have any clients with a performance-based fee.

## **ITEM 7 TYPES OF CLIENTS**

Ceredex serves as subadviser to investment portfolios of registered investment companies, including a family of Mutual Funds known as the Virtus Mutual Funds pursuant to a written subadvisory agreement with VFA. Ceredex advises or subadvises collective trust funds. Ceredex also serves as subadviser to Irish Collective Funds, Undertakings for Collective Investment in Transferable Securities authorized under the European Directive ("UCIT"). In addition, Ceredex provides investment advisory services to institutional clients including pension and profit sharing plans, educational endowments and related

funds, public and private foundations, governmental entities, and other corporate entities as well as high net worth clients.

Ceredex may contract directly with the client for these services or may act as subadviser to clients contracted with VFA pursuant to a written subadvisory agreement.

Ceredex provides investment advice to certain clients of SunTrust Bank (a prior affiliate) through a services agreement between VFA (further delegation to Ceredex) and SunTrust Bank.

Ceredex's basic fee schedules for investment advisory services and supervisory services for institutional separately managed accounts are generally subject to a minimum annual fee and an initial asset base. However, fees and minimum initial set base amounts are subject to modifications and negotiations to accommodate special client requirements.

## **ITEM 8 METHODS of ANALYSIS, INVESTMENT STRATEGIES and RISK of LOSS**

### **METHODS OF ANALYSIS**

Ceredex methods of analysis include the following:

**FUNDAMENTAL** - Fundamental analysis is using real data to evaluate a security's value. For assessing stocks, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating a security.

**TECHNICAL** - This form of value analysis focuses on patterns of volume and price fluctuations for a given stock as compared to the activity of the larger, general market indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets. This relative comparison has little or no concern for any company's fundamental structure, production or worth. Technical analysis assumes that all the market factors are known to and considered by all the market's participants, although the market can act in irrational ways. Technical analysis purports to see repeatable patterns in similar market conditions, but any one of many factors may alter the outcome of an otherwise similar situation.

### **SOURCES OF INFORMATION**

Sources of information used by Ceredex include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, filings with the SEC; and company press releases. In addition to publicly available sources of information, Ceredex also uses internal research developed by its investment professionals.

### **INVESTMENT STRATEGIES**

Ceredex uses quantitative screens to identify companies that pay dividends and are actively traded within the relevant market caps. The Firm believes dividends are a good indicator of management's confidence in the earnings potential of the company and that dividends can also provide an important source of total return and lower overall volatility. Ceredex evaluates the absolute and relative valuations

of companies and performs in-depth fundamental analysis of financial statements. The valuation process looks at valuation relative to historical value, valuation versus peers, industry and markets and specific valuation metrics like price-to-book and price-to sales. Ceredex seeks stabilizing fundamentals and fundamental catalysts that could drive meaningful price appreciation in 12 to 24 months (Large Cap and Mid Cap) or 18 to 36 months (Small Cap).

In selecting investment for purchase and sale, Ceredex chooses companies that it believes are undervalued in the market relative to the industry sector and the company's own valuation history. Ceredex evaluates potential catalysts that may cause an upward re-rating of the stock's valuation. Additionally, the common stocks purchased generally pay dividends at the time of purchase or are expected to pay dividend soon after their purchase. In addition, to implement its investment strategy, Ceredex generally does not, but may buy or sell, to a limited extent, derivative instruments (such as futures, options and swaps) to use as a substitute for a purchase or sale of a position in the underlying assets and/or as part of a strategy designed to reduce exposure to other risks, such as market risk.

## **RISK OF LOSS**

All investments carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. For investments in any pooled vehicles, please also refer to the prospectus, offering memoranda or other governing document that provides a more detailed discussion of strategies and risks. Depending on your guidelines and the type of security, your account may face the following investment risks:

**Equity Risk** - Investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets.

**Market Risk** - The success of client portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barrier, currency fluctuations and controls, and national and international political circumstances. These factors may affect the level of volatility of securities prices and the liquidity of investments in client portfolios. Such volatility or illiquidity could impair profitability or result in losses.

**Potential Concentration** - Client portfolios may have highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

**Large Company Risk** - Large cap stocks can perform differently from other segments of the equity market or the equity market as a whole. Large capitalization companies may be less flexible in evolving markets or unable to implement change as quickly as smaller capitalization companies.

**Smaller Company Risk** - Small and mid-cap stocks tend to perform differently from other segments of the equity market or the equity market as a whole and can be more volatile than stocks of a larger company. Smaller companies may be newer or less established and may have limited resources, products and markets. They may be less liquid.

**ADR Risk** – ADRs are subject to some of the same risks as direct investments in foreign companies. These include the risk that political and economic events unique to a country or region will affect those markets and their issuers.

**Style Risk (Value)** – A value investing style may be out of favor in the marketplace. The potential value of a security as perceived by Ceredex may never be realized by the market. Dividends reflect past performance and there is no guarantee they will continue to be paid.



**Exchange Traded Funds (ETFs)** - While actively managed ETFs are growing in number, ETFs, like index funds, typically represent shares of ownership in funds, unit investment trusts, or depository receipts that hold set portfolios of securities which closely track the performance and dividend yield of specific indices (i.e. broad market indices, sector indices, international indices, etc.) without being actively managed. ETFs give investors the opportunity to buy or sell an entire portfolio of stocks in a single security. Unlike traditional mutual and index funds, ETFs typically issue and redeem shares only in large increments called "Creation Units" (e.g. a single Creation Unit may consist of 50,000 or 100,000 shares worth several million dollars). An ETF's shares can also be purchased and sold in much smaller increments and for cash in the secondary market. Because ETFs trade like stock (unlike traditional mutual and index funds), we can margin, utilize hedging strategies on, and sell short ETFs in addition to simply buying ETFs long. These transactions, however, are not made at the ETF's NAV, but rather are made at market prices which may vary throughout the day and may differ from the ETF's NAV. Like any listed security, ETF shares can generally be purchased and sold at any time a secondary market is open. Except when aggregated in Creation Units, shares of an ETF are not redeemable securities. Accordingly, there is no guarantee that ETF shares will trade at or near NAV. You may incur certain fees charged directly by an ETF when purchasing, holding, or selling Creation Units of an ETF ("Creation Unit Fees"). If you purchase shares of an ETF in the secondary market, it will generally not be subject to Creation Unit Fees, but will be subject to ETF expense fees. As a result of Creation Unit Fees and ETF expense fees, you may bear an additional level of fees in addition to those fees charged by us if you invest in and/or trade ETFs.

**Extraordinary Events** - Global terrorist activity and United States involvement in armed conflict may negatively affect general economic fortunes, including sales, profits, and production, and may lead to depressed securities prices and problems with trading facilities and infrastructure.

**Market Liquidity Risks** - The value of securities held in client accounts and that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, September 2001, and more recently the Flash Crash in May 2010 could lead to violent price swings in securities held within client portfolios and could result in substantial losses.

**Increased Regulations** - Events during the past several years and adverse financial results have focused attention upon the necessity of maintaining adequate risk controls and compliance procedures. These events have led to increased governmental and self-regulatory authority scrutiny of the financial industry. Various national governments have also expressed concern regarding disruptive effects of speculative trading and the need to regulate the markets in general. Any regulations that restrict the ability to employ, or for broker-dealers and counterparties to extend, credit or restrict trading activities could adversely impact profit potential.

**Cybersecurity Risk** - In addition to the risks associated to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. A breach in cybersecurity refers to both intentional and unintentional events that may cause an account to lose proprietary information such as misappropriating sensitive information, access to digital systems to obtain client and financial information, corrupting data, or causing operational disruption. Similar adverse consequences could result from cybersecurity incidents affecting counterparties with which we engage in transactions, third-party service providers (e.g. a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. The Firm has in place risk management systems and business continuity plans which are designed to reduce the risks associated with these attacks, although there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

## ITEM 9 DISCIPLINARY INFORMATION

Ceredex is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of Ceredex or the integrity of Ceredex's management.

Ceredex and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES and AFFILIATIONS

Ceredex has relationships with its affiliates that you may consider material. Please find these relationships described below.

Ceredex is a wholly owned subsidiary of VFA, which is a wholly owned subsidiary of VIH, which is wholly owned by VP, whose parent company is Virtus, a publicly traded multi-manager asset management business (NASDAQ: VRTS). Certain officers and directors of Virtus serve as officers and/or directors of VFA and VFA's wholly owned subsidiaries, including Ceredex.

Ceredex's parent company, VFA, is structured to provide discretionary and non-discretionary advisory and other services to clients through its Boutiques, each of which specializes in various categories of investment management.

Style	Boutique	Website
Growth Equity	Silvant Capital Management LLC	<a href="http://silvantcapital.com">silvantcapital.com</a>
Value Equity	Ceredex Value Advisors LLC	<a href="http://ceredexvalue.com">ceredexvalue.com</a>
High Grade, High Yield, Tax Exempt, and Short Duration Fixed Income	Seix Investment Advisors LLC	<a href="http://seixadvisors.com">seixadvisors.com</a>
Aggressive Growth Equity	Zevenbergen Capital Investments LLC	<a href="http://zci.com">zci.com</a>

VFA provides such services principally through the Boutiques to market the various specialties separately and independently from one another. See Item 4 of Form ADV Part 2A of VFA and of each Boutique for more details.

Ceredex has material business relationships with VFA. Ceredex has contracted with VFA to subadvise and provide portfolio management, research and analysis to specified client assets of VFA, including certain Virtus Mutual Funds. Ceredex and VFA have entered into solicitation or referral agreements. Certain Ceredex officers and employees are also officers and employees of VFA and/or one or more Boutiques, and, accordingly, VFA persons may perform certain of the above-mentioned activities on behalf of Ceredex or another Boutique in their capacities as Ceredex or Boutique officers. As described more fully in VFA's or the other Boutiques' Form ADV Part 2A, additional financial industry affiliations may apply to VFA or the other Boutiques, which are not discussed in this Item 10 of Ceredex's Form ADV Part 2A.

In a variety of instances, Ceredex utilizes the personnel and/or services of one or more of its affiliates, in the performance of Ceredex's business, including, without limitation, finance, accounting, human resources, talent management, compliance, legal, technology, platform channel sales and service, marketing, wholesaling, portfolio operations, and trading. Such utilization can take a variety of forms including dual employee or delegation arrangements, formal sub-advisory or servicing agreements, or

other formal and informal arrangements among Ceredex and its affiliates. In these circumstances, the registered affiliate with which the client has its investment management agreement remains responsible for the account within the framework of the Advisers Act and/or other applicable regulatory frameworks and the relevant investment management agreement and no additional fees are charged to the client for the affiliates' services except as set forth in the investment management agreement.

Virtus Investment Partners International Ltd. ("Virtus International") (formerly known as RidgeWorth International Ltd.) (FRN 673689), a wholly owned subsidiary of VFA, is headquartered in London, England and is an Appointed Representative of Mirabella Advisers LLP ("Mirabella") (FRN 606792), which is authorized and regulated by the Financial Conduct Authority. As such, Approved Persons of Virtus International are permitted to introduce VFA and Ceredex investment advisory services to institutional entities and Sovereign Wealth funds and other foreign official institutions within the United Kingdom and certain other European Economic Area member states, and regulatory compliance services for these activities will primarily be provided to Virtus International by Mirabella, in its capacity as Virtus International's principal. In addition, Virtus International representatives will, to the extent permitted by each applicable jurisdiction, be introducing VFA and Ceredex investment advisory services to Sovereign Wealth funds and other foreign official institutions outside the European Economic Area.

The following advisers are subsidiaries of VP and affiliates of Ceredex:

- Virtus Investment Advisers, Inc. ("VIA");
- Duff & Phelps Investment Management Co. ("DPIM");
- Euclid Advisors LLC ("Euclid");
- Kayne Anderson Rudnick Investment Management, LLC ("KAR");
- Newfleet Asset Management, LLC ("Newfleet");
- Rampart Investment Management Company, LLC ("Rampart");
- Virtus Alternative Investment Advisers, Inc. ("VAIA");
- Virtus ETF Advisers LLC ("VEA");
- Virtus Retirement Investment Advisers, LLP ("VRIA"); and
- Zweig Advisers LLC.

VP Distributors, LLC ("VPD") and ETF Distributors LLC are affiliated broker-dealers and have no trading activity nor retain trading operations. Ceredex subadvises certain investment portfolios of the Virtus Mutual Funds, which are distributed by VPD. Broker-dealers play a significant role in, and receive 12b-1 and other internal and external fees for, selling interests in the Virtus Mutual Funds. Service providers to the Virtus Mutual Funds subadvised by Ceredex include VPD, the Principal Underwriter and Distributor; Virtus Fund Services, LLC ("VFS"), the Administrator, Fund Accountant and Transfer Agent; and State Street Bank and Trust Company, Custodian. VFS may engage other firms to provide administrative, fund accounting and transfer agency services to the Virtus Mutual Funds.

VFA has entered into service or distribution arrangements with various platforms or other service providers or brokers, also known as intermediaries, whereby VFA makes payments to these intermediaries to help offset administrative expenses incurred in conjunction with the services they provide to clients who are shareholders of the Virtus Mutual Funds or for marketing-related activities. In general, these payments are very similar to a sub-transfer agency or servicing fee or 12b-1 fees; however, rather than being paid directly from the fund, they are paid from VFA's own corporate profits.

VPD sponsors those VFA and Ceredex personnel whose job responsibilities require their registrations as broker-dealer representatives.

VFA and Ceredex are not registered and do not have applications to register as futures commission merchants, commodity pool operators, or commodity trading advisers. Two of Ceredex's affiliates, VAIA and VEA, are registered as commodity pool operators.

Ceredex has a related SEC-registered investment adviser Boutique, Seix Investment Advisors LLC ("Seix"), which manages Private Funds (e.g., limited partnerships and limited liability companies). Complete and accurate information about such Private Funds are available in the Form ADV of Seix.

Ceredex is aware of, and has procedures to manage, its fiduciary duties and any potential conflicts that may arise related to providing services through affiliates.

## **ITEM 11 CODE OF ETHICS, PARTICIPATION or INTEREST in CLIENT TRANSACTIONS and PERSONAL TRADING**

### **CODE of ETHICS**

The Firm's foremost responsibility is the protection of client assets. Ceredex's Code of Ethics (the "Code") sets forth the high ethical standards of business conduct that we require of our employees. All employees are expected to not only comply with the spirit and letter of all applicable laws, regulations and Firm imposed policies and procedures, but to also certify adherence to applicable regulations and policies. Training is conducted on a routine basis. Our Code primarily includes our Personal Trading policy, which establishes preclearance and reporting procedures for personal securities transactions, and a policy prohibiting the use of material nonpublic information, which states that employees may not use material nonpublic information for trading personally or on behalf of others or communicate material nonpublic information to others in violation of the law.

Violations of the Code are addressed and resolved as quickly as possible. Sanctions for violations may include, but are not limited to personal trading restrictions, loss of compensation, fines, suspension, and termination. A copy of Ceredex's Code is available to clients and prospective clients upon request by contacting 407-674-1270, or via U.S. mail by writing Ceredex Value Advisors LLC, 301 E. Pine St., Suite 500, Orlando FL 32801.

Ceredex also maintains a Business Conduct policy that contains Gifts, Business Meals, and Entertainment and Political Contributions policies. The Gifts, Business Meals, and Entertainment policy places restrictions on gifts and business entertainment given and accepted and details reporting requirements for these events. The Political Contributions policy details a preapproval process and reporting requirements for political contributions made by covered associates.

### **PARTICIPATION or INTEREST in CLIENT TRANSACTIONS**

Ceredex and its affiliates act as investment adviser and/or subadviser to numerous client accounts, including Funds. Ceredex and its affiliates may invest in securities it also recommends to clients, and may give advice and take action with respect to any Funds or accounts it manages that may differ from action taken by Ceredex or its affiliates on behalf of other Funds or accounts. As these situations may represent a potential conflict of interest, Ceredex and its affiliates have adopted restrictive policies and procedures, wherever deemed appropriate, to seek to detect and mitigate or prevent potential conflicts of interest. Ceredex is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that Ceredex, its affiliates or their respective Access Persons, as defined by the 1940 Act and by the Advisers Act, may buy or sell for its or their own account or for the accounts of any other client. Ceredex is not obligated to refrain from investing in securities held by Funds or accounts that it manages, except to the extent that such investments violate the Code adopted by Ceredex. From time to time, Ceredex, its officers, directors and employees may have interests in securities owned by or recommended to Ceredex's clients. This includes interests in Funds (including Limited Partnerships,

LLCs, etc.), that may invest, directly or indirectly, in securities of issuers which Ceredex or another Boutique or its affiliates may purchase. As these situations may represent a potential conflict of interest, Ceredex has adopted procedures relating to personal securities transactions and insider trading, that are reasonably designed to prevent actual conflicts of interest.

In addition, the existence of business relationships and investment practices creates the potential for conflicts of interest. Ceredex has adopted restrictive policies and procedures, wherever deemed appropriate, to seek to detect and mitigate or prevent potential conflicts of interest. Certain known conflicts and Ceredex's handling of such conflicts are disclosed below.

Ceredex, directly or through VFA, may manage simultaneously parallel accounts in some cases with the same portfolio managers, with similar objectives, but with differing fees to VFA or Ceredex. Ceredex's policy is to manage each account independently and fairly, and recognizes and seeks to control the conflicts of interests inherent in such practices.

VFA trading and other personnel who provide administrative services to Ceredex under the Services Agreement between Ceredex and VFA will have information about Ceredex investments. Some Ceredex officers also have officer titles at VFA or other Boutiques.

Ceredex serves as subadviser to certain Virtus Mutual Funds, which offer investors a selection of fixed income and equity funds. When appropriate, Ceredex may recommend investment in these affiliated funds. To the extent that Ceredex chooses to invest all or a portion of its separate account in an affiliated fund, Ceredex does not charge an advisory fee, other than the fund's embedded advisory fee, on assets invested in such funds.

VFA has a policy of not purchasing or recommending the purchase of securities issued by its parent company, Virtus. This policy also applies to the voting securities of a publicly held company if a director or senior officer of VFA or its wholly owned subsidiaries sits on the board. Restricted security information is available upon request.

To the best of its abilities, Ceredex reviews and monitors each individual situation to ensure that all clients are adequately protected against conflicts of interest. With respect to voting proxies for any such companies, Ceredex follows the conflicts provisions described in its Proxy Voting policy designed to eliminate or minimize any such conflict. For more information, see description of Proxy Voting policy.

## **PERSONAL TRADING**

In accordance with the Advisers Act, specifically Rule 204A-1, and the 1940 Act, specifically Rule 17j-1(c)(1), Ceredex has adopted a strict Code that prohibits certain types of personal securities transactions and is designed to avoid perceived or actual conflicts and prevent front running and possible insider trading abuses. The Code also establishes reporting requirements and enforcement procedures.

The Code applies to all employees of Ceredex and other individuals located at the Ceredex office or who have access to Ceredex's files and information ("Access Persons"). Access Persons are:

- Required to immediately report any violation of the Code to the Chief Compliance Officer.
- Required to initially/quarterly/annually submit the appropriate information, material, and documentation regarding all personal trading.
- Required to direct each brokerage firm at which such Access Person maintains a securities-related account in which the Access Person has direct or indirect beneficial interest, to send duplicate copies of each person's confirmations and statements to the designated Firm Compliance Review Officer. In the case of accounts maintained at brokerage firms with electronic feeds, the confirmations and holdings information is sent electronically to the Firm's personal trading system.

- Required to pre-clear and/or report personal transactions in their accounts. (Certain open - end funds, cash/cash equivalent funds, indexes and government-related securities are exempt.)
- Prohibited from market timing and late day trading.
- Prohibited from short-term trading. In general, all securities must be held for a period of 30 days or more.
- Restricted from trading certain securities during certain periods of time. These are referred to as “black out” periods and are designed as a means of protecting clients against employee front running and insider trading.
- Restricted from specific styles of trading such as good-till-canceled orders that remain active beyond a day, and restricted from investments in IPOs. Private placements must be precleared.

The designated Compliance Review Officer reviews personal trading activity daily/quarterly/annually to determine if any individual violations occurred during that period.

Violations will be addressed on a timely basis, and depending upon the seriousness of the infraction, Ceredex may impose one or more of the following:

- Verbal admonishment;
- Written acknowledgement from the Access Person that he/she has again reviewed, fully understands, and agrees to abide by all Firm Personal Trading policy and procedures;
- Written notice to the Access Person’s Personnel and Compliance files, including steps taken to ensure full compliance in the future;
- Fines and/or reversals of the transaction(s) (individual must accept all losses and any profits must be donated to a charitable organization);
- Partial or full restriction on all personal trading;
- Suspension or termination of employment.

## **ITEM 12 BROKERAGE PRACTICES**

Ceredex and the Boutiques generally have discretionary authority to determine, without obtaining specific client consent, the securities, the amounts thereof to be bought or sold, and the broker used to conduct the trade. Ceredex may agree to accept and, once accepted, must adhere to client investment guidelines, but such guidelines may adversely affect the client’s investment returns. At a client’s request, Ceredex may provide non-discretionary investment management services. VFA is authorized under its Services Agreement with Ceredex to place orders on behalf of Ceredex for trades as instructed by Ceredex both for direct Ceredex accounts with clients and VFA client accounts delegated to Ceredex.

### **SELECTION CRITERIA FOR BROKER/DEALERS**

Ceredex’s objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to portfolio transactions in its clients’ accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

Ceredex's Best Execution and Broker Selection Committee covers equity trading only, and is comprised of members from VFA and each equity Boutique who hold non-salaried officer titles at VFA and one or more of the Boutiques. The committee meets quarterly and at least annually reviews all current broker-dealer and agent relationships. In selecting among broker-dealers to execute transactions under Ceredex's discretionary authority, the committee considers, among other things, the following:

- the broker's expertise and ability to execute the transactions at the most favorable net price of the security for the client;
- the ability of the broker to handle large blocks/thin markets and other special trading situations;
- the price of the security for the client;
- the competitiveness of the brokerage rates charged;
- the financial strength and stability of the brokerage firm; and
- the investment research services provided by the broker.

The Committee evaluates the reasonableness of the brokerage rates charged using the criteria specified above and other input as deemed appropriate.

Under certain circumstances, Ceredex may, subject to best execution, trade on a "net" basis, without paying the broker-dealer any commission, commission equivalent, or markup / markdown other than the "spread." Net trades are used where the broker-dealer profits from the "spread"; that is, the difference between the price paid (or received) by Ceredex and the price received (or paid) by the broker-dealer in its trades with other broker-dealers or other customers.

The Firm, in recognizing its fiduciary duty to its clients, will, whenever possible, re-allocate erroneous trades into a proprietary trade-error account as soon as practical upon discovery of the trade. Clients will not be disadvantaged by a trade error resulting from actions of employees of the Firm.

#### **COMMISSION RATES or EQUIVALENT POLICIES**

Ceredex endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. However, Ceredex will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although Ceredex generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved, resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help Ceredex in providing investment management services to clients. Ceredex may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance.

#### **TRADE AGGREGATION**

As a fiduciary, Ceredex has a duty to obtain best execution for its clients. Where securities are purchased on behalf of more than one client at the same time, the Firm must fulfill its duty to obtain best execution for all clients, and will not favor one client at the expense of the other. The trading desk will attempt (to the extent appropriate, permissible and/or feasible) to aggregate multiple orders for the purchase or sale of the same security placed at or around the same time, to achieve best execution with respect to all transactions being effected on behalf of client accounts. This "block" trading process

includes pro-rata allocations of trades across all accounts and clients to promote fairness. Employee trades are not blocked with client trades as Ceredex employees must use an outside broker to conduct personal trades which are subject to black-out periods to prevent employees from trading in front of Ceredex for its clients. Ceredex may include proprietary accounts in such aggregate trades subject to its duty of seeking best execution and its Code.

VFA will (in accordance with the Services Agreement between Ceredex and VFA) in most cases, aggregate or “block” transactions on behalf of various Firm clients in order to facilitate best execution and possibly negotiate more favorable pricing and commission rates. To the extent that transactions are blocked, the Firm will allocate such transactions to all participating client accounts in a fair and equitable manner consistent with its trade allocation procedures, fiduciary obligations and each participating client’s investment advisory agreement.

VFA follows the procedures below when executing like orders:

- Like orders sent at overlapping times from different portfolio managers but from the same Boutique will be combined and traded together, subject to any limits managers place on the orders.
- Like orders sent at overlapping times from different Boutiques will not be combined but will share executions on a one-for-one basis starting when the second order arrives, regardless of the size of either order. This is subject to any limits managers place on the orders.

Due to market conditions or a change in portfolio management decisions, a specific aggregated order may not be completely filled at one price or in total. At such times, the order will be average-priced so that all Boutiques and accounts receive a fair price, and the transaction will be distributed among all accounts in a fair and equitable manner so that no account will be systematically disadvantaged by the allocation.

Ceredex realizes such situations present inherent conflicts of interest and that certain Ceredex accounts and Boutiques may appear to be disadvantaged in specific instances. Ceredex will, however, at all times allocate trades on a basis believed to be fair and equitable. In addition, Ceredex will not disproportionately allocate trades in a manner inconsistent with the manager's ability to effectively and efficiently maintain or sell the position (i.e., “odd lots” or less than standard incremental amounts). The trader will, however, ensure that all accounts are treated fairly based on all distribution criteria (i.e., no client or Fund will disproportionately receive rounded-up allocations).

## **DIRECTED BROKERAGE**

Ceredex usually has discretion to select executing broker-dealers and to negotiate brokerage rates for securities transactions for clients’ accounts. However, clients occasionally restrict Ceredex from using a particular broker or request that Ceredex use a specified broker or dealer to effect transactions in an account as compensation for services provided directly or indirectly by the broker to the client, or they may elect to execute trades themselves.

A client’s specification or restriction of broker-dealers or its election to execute trades itself may be inconsistent with obtaining best overall execution of the transaction. Where a client directs or restricts the use of a particular broker-dealer or broker-dealers, Ceredex may not be in a position where it can negotiate commission rates or spreads or obtain volume discounts, and best price may not be achieved, meaning that such restrictions may affect returns. In addition, clients who direct Ceredex to use a particular broker-dealer or restrict Ceredex from using a particular broker-dealer may be prevented from participating in allocations of certain limited availability securities and from obtaining a portion of the allocation of new offerings through any such broker-dealers who are members of the offering underwriting syndicate.

Upon written client direction, Ceredex may execute trades through specified broker-dealers, but only on the client’s understanding that separating such transactions from block orders could materially and



adversely affect the client's return. Trades from client directed brokerage arrangements are generally entered subsequent to Ceredex's conventional trading model and on a best efforts basis. To the extent that Ceredex would otherwise have included the client's transaction in a block order, directed orders are generally placed after block trades. Ceredex reserves the right not to use a directed broker-dealer if the Best Execution and Broker Selection Committee deems it in the best interests of the client. Moreover, Ceredex is not obligated to execute any brokerage transactions through a directed broker-dealer which is not on its approved broker-dealer list.

The practice of directing brokerage commissions to particular broker-dealers in order to compensate them for selling fund shares is a practice the Firm believes poses significant conflicts of interest and may be harmful to the Firm, the Virtus Mutual Funds and their shareholders. In addition, Rule 12b-1(h)(1) of the Investment Company Act of 1940 prohibits funds from compensating a broker-dealer for promoting or selling fund shares by directing brokerage transactions to that broker. The Firm, together with the Virtus Mutual Funds, does not direct brokerage commissions to broker-dealers to compensate them for selling fund shares. This includes the practice of "stepping-out" trades to broker-dealers for selling fund shares.

#### **"SOFT DOLLAR" or RESEARCH/EXECUTION POLICY**

Ceredex's General Policy: When appropriate under its discretionary authority and when executing trades with discretionary authority, and consistent with its duty to seek best execution, the Firm may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for effecting the same transaction, if the Firm determines in good faith that the brokerage commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer, viewed in terms of either that particular transaction or the Firm's overall responsibilities to the client and to other client accounts over which the Firm exercises investment discretion. Although the Firm will accept written client brokerage direction, it does not engage in the type of "directed" brokerage relationships under which it compensates broker-dealers in exchange for client or business referrals, although the Firm may execute trades with firms which sell the Virtus Mutual Funds. The Firm may receive unsolicited research from various broker-dealers.

A statutory "safe harbor," Section 28(e) of the Securities Exchange Act of 1934, allows an investment adviser to pay for research and brokerage services with commission dollars generated by client account transactions. The Firm may direct transactions for client accounts to broker-dealers that provide VFA or any of its wholly owned equity boutiques, including Ceredex, with 28(e) eligible research and services. The commissions used to acquire research in these arrangements are known as "soft dollars."

Such research services include proprietary and third party research provided by a broker-dealer (and made available to the Firm under arrangements as described below) such as tangible research products as well as access to analysts and traders. Certain broker-dealers accumulate credits from the Firm's client trades. At the Firm's direction, these broker-dealers use the credits generated to pay other research providers directly for their 28(e) eligible research. The Firm makes the compensation decisions based on its determination of the relative benefits of the various research services available and the investment utility of those services.

Research services obtained by VFA and its wholly owned boutiques directly or indirectly may include:

- analytical and other information pertaining to specific equity or fixed income securities;
- research information relating to overall investment strategy including macroeconomics forecasts and analyses; and
- analyst reports, analyst models, analyst access, conferences, and invitations to analyst events.

The Firm does not have any agreement or understanding with any broker-dealer that would obligate the Firm to direct a specific amount of brokerage transactions or commissions in return for such services. The Firm does receive proprietary research from broker-dealers directly and third party research "provided" by executing brokers who either (directly or through commission management service

providers) are obligated to pay or in fact pay the research provider and sends trades in part based on the perceived value of the research received. The Firm does receive research provided by certain broker-dealers that may state in advance the amount of brokerage commissions required for research and the applicable cash equivalent.

The receipt of research in exchange for soft dollars benefits VFA and its wholly owned equity boutiques by allowing them to supplement their own research and analysis activities, receive the views and information of individuals and research staffs of other securities firms, and gain access to persons having special expertise in certain companies, industries, areas of the economy and market factors, all without incurring costs. Obtaining research from a broker-dealer using soft dollars may cause an account to pay more for such research than if the account had otherwise purchased such research directly from such broker-dealer using account assets ("hard dollars"). The Firm may, in its sole discretion, use soft dollars to obtain, and pay up to 100% of the cost of, research. Up to 100% of the account trades may be soft dollar trades. Certain research may only be purchased from broker-dealers through the use of soft dollars and not hard dollars. Research obtained with soft dollars may or may not be utilized by VFA or its wholly owned equity boutiques or by the specific account that generated the soft dollars. VFA and its wholly owned equity boutiques may in their discretion, though they would not usually attempt to do so, allocate the relative costs or benefits of research among client accounts or VFA and its wholly owned equity boutiques based on actual usage, because they believe that, in the aggregate, the research received benefits clients and assists VFA and its wholly owned equity boutiques in fulfilling their overall duty to their clients. Such benefits to the Firm or its affiliates, and any targets, may lead to conflict of interests and incentives to overtrade.

Some of the Firm's clients may direct their own brokerage. Thus, those clients may require the Firm to send their trades to a particular broker-dealer in some cases so that the client may receive some direct benefit. Other advisory clients may prohibit the Firm from paying up for research or permit proprietary research but not third-party research. In each of these cases, these advisory clients may be benefiting, through an improved investment process, from research obtained through commission dollars of other accounts, which have not so restricted the Firm's brokerage discretion. However, when VFA, under its trading authority granted in the Services Agreement, conducts soft dollar payments on behalf of the wholly owned equity boutiques that benefit VFA or the aforementioned boutiques, it generally will seek to allocate and adjust cost and benefits of soft dollars only among the boutiques that generate soft dollar commissions. Among those boutiques, soft dollar allocation will be generally based on commissions generated and assets under management. Under this approach, the potential for one affiliate to subsidize another exists.

Not all Boutiques utilize soft dollars. VFA executes trades on behalf of its wholly owned equity boutiques (including but not limited to as subadvisers to VFA), but does not generally engage in direct trades for its own direct clients. Accordingly, when VFA itself receives benefits from its wholly owned equity boutiques' soft dollars, such benefits are generally utilized on behalf of, and deemed to be received as, agent for the wholly owned equity boutiques, and therefore related costs are allocated among such boutiques as described immediately above. However, VFA may use proprietary research (generated by the wholly owned equity boutiques but generally for accounts that are also VFA clients) in its capacity as adviser to the VFA Funds and certain separately managed accounts (which are subadvised out to the wholly owned Boutiques) which benefits VFA in its advisory role for oversight of its wholly owned Boutiques.

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. In determining whether a service or product qualifies as research or brokerage, the Firm evaluates whether the service or product provides lawful and appropriate assistance to VFA's wholly owned equity boutiques in carrying out their investment decision-making and execution responsibilities.

The Firm may select broker-dealers based on its assessment of their abilities to provide quality executions and its belief that the research, information and other services provided by such broker-dealers may benefit client accounts. It is not possible to place a dollar value on the special executions or on the research services VFA or its wholly owned equity boutiques receive from dealers effecting transactions in portfolio securities.

## ITEM 13 REVIEW OF ACCOUNTS

Portfolio managers for each investment discipline determine the specific securities purchased or sold within a portfolio based on the investment discipline's philosophy and process, as well as the client's investment policy guidelines. Portfolio managers are thoroughly familiar with the client's organization, philosophy, investment guidelines and objectives and continually evaluate all client relationships and verify portfolios are continuously serviced, monitored and supervised. The portfolio manager works with each client to make certain that the assets are invested in accordance with regulations and stated client and investment discipline guidelines.

Virtus' Investment Oversight Committee also provides investment oversight and analysis of Ceredex and other Boutiques activities, including performance attribution evaluation and analysis.

Specific client guidelines and restrictions are coded into the compliance guideline system (Bloomberg) upon account opening and periodically reviewed and updated as appropriate. The compliance guideline system is designed to screen individual transactions to prevent trade allocations to accounts that do not comply with specific client or Firm guidelines.

Ceredex's policy is to provide separately managed account clients of Ceredex quarterly reports listing current assets (as of the report date), which generally includes summary information of account activity since the previous report. Some clients request reports or meeting booklets that contain portfolio holdings, portfolio characteristics and investment performance. Other special reports are prepared when requested.

The frequency of reports depends upon the investment style and agreed upon timeframe of the client; however, Ceredex's general policy is to issue reports quarterly. You will receive statements from your custodian in addition to our reports. These reports will differ in presentation and type of information presented, but should be consistent in regards to assets, contributions and withdrawals.

Accounts are reviewed formally at least biennially at Ceredex to verify that account guidelines and objectives are being followed with regard to asset allocation, individual securities owned and other client specific factors. This review is performed by the client portfolio manager or designee, reviewed by the portfolio manager, and ultimately reviewed by the Chief Investment Officer.

In addition, external events may trigger a nonperiodic account review or action by the portfolio manager. These include, but are not limited to:

- a change in the fundamentals or performance expectations of a security held in an account;
- a change in investment strategy;
- a change in the client's risk tolerance, income and cash needs, tax status, or any other changes in the client's profile;
- additions to or withdrawals from an account;
- a meeting with a client where its needs are reviewed and/or changed; or
- a material market or economic change.

## ITEM 14 CLIENT REFERRALS and OTHER COMPENSATION

Ceredex may, on occasion, enter into solicitation agreements with individuals, financial intermediaries or others who may or may not be affiliated with Ceredex. All solicitation agreements will comply with the Firm's Solicitation policy, Rule 206(4)-3 under the Advisers Act, and any other law as applicable. Ceredex currently has solicitation arrangements with VFA and Virtus International, but currently does not have such arrangements with unaffiliated third parties. These solicitation arrangements, where applicable, require an affiliated solicitor to disclose such affiliation, and would require a third party solicitor to provide each prospective client with a copy of adviser's Form ADV Part 2 and to disclose to the prospective client the nature of the arrangement between the solicitor and adviser. Payment to the solicitor by the adviser will not increase the general fees paid by the prospective client.

In compliance with applicable law, Ceredex or an affiliate from time to time pays event attendance or participation or other fees; underwrites educational, charitable or industry events; or provides gifts of value to, or at the request of, an organization or individual (including Ceredex affiliates) that, among other things: (i) offers or includes products or services of Ceredex or an affiliate in a particular program; (ii) permits Ceredex or an affiliate access to their financial advisors, brokers, employees, or other affiliated persons to provide training, marketing support, and educational presentations on products or services affiliated with Ceredex; and/or (iii) refers or has referred a client to Ceredex. Ceredex may obtain products and/or services from consulting firms separate and apart from any recommendations made to clients for Ceredex's investment services. Additionally, certain affiliated or third party institutions provide financial support on a voluntary basis for marketing, educational, and sales meetings of Ceredex or affiliates.

The amount of any such payments and those described below to or from Ceredex and affiliates may be substantial, may vary among recipients or payors, and may be higher for affiliates than third parties.

These payments pose conflicts of interest for the parties that receive them. A fund client should obtain from its intermediary details of any such payments received by such intermediary from Ceredex or affiliates. Currently, VFA maintains a "Fees for Services Program" ("FFSP") in which, from its bona fide profits, VFA pays fees for services to service providers/accounts/plans (including affiliates) which are intended to compensate those service providers for administrative services they provide to their clients who are shareholders of the Virtus Mutual Funds affiliated with Ceredex, as such arrangements reduce administrative expenses of such funds. Additionally, certain Virtus Mutual Funds also pay fees for services to intermediaries which are intended to compensate those service providers for administrative services they provide to those funds' shareholders. In certain scenarios, this arrangement may reduce the amount to be paid by VFA as compensation for administrative services under a FFSP. FFSP payments are to be used by the service providers to offset administrative expenses of the service providers for those accounts/plans. Please refer to the Virtus Mutual Funds' Statement of Additional Information for more information regarding these arrangements, including amounts and recipients.

VFA and/or its affiliates will make payments from their own capital resources or otherwise provide benefits to certain intermediaries for marketing support services, or for distribution activities including business planning assistance, educating dealer personnel about funds affiliated with VFA and shareholder financial planning needs, placement on the intermediary's preferred or recommended fund company list, and access to sales meetings, sales representatives and management representatives of the dealer. These payments are made to compensate such intermediaries for marketing expenses they incur, for travel and lodging in connection with educational or training events, or to pay for the opportunity to have them distribute products or services affiliated with Ceredex. These payments are made to intermediaries that are registered as holders of record or dealers of record for accounts in funds affiliated with Ceredex. These payments are generally based on one or more of the following factors: average net assets of the funds affiliated with Ceredex that are attributable to that intermediary, gross or net sales of such funds attributable to that intermediary, reimbursement of ticket charges (fees that an intermediary

firm charges its representatives for effecting transactions in shares of such funds) or a negotiated lump sum payment for services rendered.

Ceredex and its affiliates compensate intermediaries differently depending upon, among other factors, the level and/or type of marketing support provided by the intermediary. These payments are made by VFA, Ceredex and/or affiliates and do not increase the amount paid by clients of funds affiliated with Ceredex. Such payments may pose conflicts of interest as they provide incentives for financial intermediaries to make the products and services affiliated with Ceredex available to their customers, and may allow Ceredex greater access to such financial intermediaries and their customers than would be the case if no payments were made. Clients may wish to consider whether such arrangements exist when evaluating any recommendation to purchase products or services affiliated with Ceredex. Clients may ask their intermediaries about any payments received from VFA, Ceredex and its affiliates. VFA, Boutiques, or Virtus Mutual Funds do other business not aimed at or tied to generating fund sales business (like trade execution or consulting) with persons who may sell, or whose affiliates may sell, the Virtus Mutual Funds' shares.

Please also see Item 14 of VFA's and each Boutique's Form ADV Part 2A.

## **ITEM 15 CUSTODY**

Ceredex does not provide custodial services to its clients. Clients select banks or registered broker-dealers that are "qualified custodians" to provide custody of clients' assets. However, under the SEC's Custody Rule, Ceredex is deemed to have custody due to the fact that Ceredex can inform the custodian to remit investment advisory fees directly to Ceredex.

You should receive quarterly custodial statements directly from your qualified custodian. We urge you to carefully review those statements and compare the custodial records to the reports we provide you. Comparing reports will allow you to determine whether account transactions, including advisory fees, are proper. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation of methodologies of certain securities.

## **ITEM 16 INVESTMENT DISCRETION**

Ceredex accepts discretionary authority from the client at the outset of an advisory relationship to manage assets in the client's account. However, the client can place reasonable restrictions on Ceredex's investment discretion, which will be observed by Ceredex when discretionary authority is exercised. The most common restrictions are social restrictions or those that prohibit us from buying specific companies. Investment guidelines and restrictions must be provided to Ceredex in writing and may impact performance.

For registered investment companies, Ceredex's authority to trade securities may also be limited by certain federal securities and tax laws.

See Item 4 for additional information about discretionary and non-discretionary services.

## ITEM 17 VOTING CLIENT SECURITIES

Ceredex will accept proxy voting responsibility at the client's request. Once Ceredex accepts proxy voting responsibility, generally the client will be allowed to request to vote its proxies on a particular solicitation and Ceredex will (if operationally possible) attempt to comply with the request. Where Ceredex is responsible to vote proxies for a client, Ceredex has a Proxy Committee ("Proxy Committee") that includes personnel from VFA, Ceredex and each wholly owned Boutique, and is responsible for establishing policies and procedures designed to enable Ceredex to ethically and effectively discharge its fiduciary obligation to vote all applicable proxies on behalf of all discretionary client accounts and funds. Annually (or more often as needed), the Proxy Committee will review, reaffirm and/or amend guidelines, strategies and proxy policies for all domestic and international client accounts, funds and product lines.

Ceredex votes all shares per the Ceredex Proxy Guidelines unless the client chooses custom guidelines. In the case that a ballot item is not covered under the policy or is coded as case-by-case in the Firm's guidelines, a research analyst or portfolio manager will review the available information and will utilize such information, along with his knowledge of the company, to make a vote recommendation to the Proxy Committee. The Proxy Committee members consider the information and recommendation, and will then vote on that ballot item. As reflected in the Ceredex Proxy policy, the Proxy Committee will affirmatively vote proxies for proposals that it deems to be in the best economic interest of its clients, as a whole, as shareholders and beneficiaries of those actions.

Due to the Firm's diverse client base, numerous product lines, and affiliations, the Committee may determine a potential conflict exists in connection with a proxy vote based on the SEC guidelines. The Committee has outlined the following situations where a conflict of interest, deemed material for proxy purposes, exists:

1. Common stock of public corporate issuers with which the Firm's parent company, VFA or its wholly owned subsidiaries ("Subsidiaries") have a significant, ongoing, non-investment management relationship.
2. An issuer with a director, officer or employee who presently serves as an independent director on the board of VFA or Subsidiaries.
3. An issuer having substantial and numerous investment, or other financial relationships with VFA or Subsidiaries.
4. A director or senior officer of VFA or Subsidiaries serving on the board of a publicly held company.
5. A direct common stock ownership position of five percent (5%) or greater, held by VFA or Subsidiaries.

For these situations, the Committee has determined that the most fair and reasonable procedure in order to properly address all conflict concerns is to retain an independent fiduciary to vote the ballot items coded within Ceredex's proxy guidelines as case by case.

Additional conflicts of interests will be evaluated by the Committee on an individual basis. Although the Firm does its best to alleviate or diffuse known conflicts, there is no guarantee that all situations have been or will be mitigated through proxy policy incorporation.

The Firm utilizes the services of Glass Lewis & Co. ("Glass Lewis") due to its excellent research tools, advance technical capabilities, and the large scale system support required to accommodate an adviser of our size. Glass Lewis will act as the Firm's agent in the provision of certain administrative, clerical,

functional recordkeeping, and support services related to the Firm's proxy voting processes/procedures, which include, but are not limited to:

1. The collection of proxy material from our clients' custodians;
2. The facilitation of proxy voting, reconciliation, and disclosure, in accordance with Ceredex's Proxy policy and the Proxy Committee's direction; and
3. Recordkeeping and voting record retention.

Clients may view the Ceredex complete Proxy policy at <https://www.ceredexvalue.com/legal-compliance/proxy-voting>

To obtain a copy of the complete proxy voting guidelines or information about how Ceredex voted your proxies, please contact: Ceredex Value Advisors LLC, Attn: Proxy Voting Committee Administrator, 3333 Piedmont Road NE, Suite 1500, Atlanta, Georgia, 30305; by telephone at 1.877.984.7321; or via e-mail at: [PMP.operations@virtus.com](mailto:PMP.operations@virtus.com).

*Virtus Mutual Fund shareholders:*

Although Ceredex and other investment advisers subadvise some of the funds, all proxy votes are conducted by the Virtus Mutual Funds' adviser, VFA. Shareholders of the Virtus Mutual Funds may access fund related proxy voting information by calling 1.800-243-4361 or by visiting [www.virtus.com](http://www.virtus.com).

*Class Actions, Bankruptcies and Similar Claims.* Client will, should it choose to do so, and not Ceredex unless otherwise stipulated by law or written agreement, initiate and pursue all appropriate litigation claims and related filings in connection with their account(s) for class actions, bankruptcies, and similar claims. Ceredex will attempt to forward to client materials it receives in this regard and will employ reasonable efforts to assist clients in responding to claims, but disclaims responsibility for any reasonable delays in transmission that may occur.

## **ITEM 18 FINANCIAL INFORMATION**

Ceredex has no financial commitment or condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.