

# Small Cap Value SMA Commentary

1<sup>st</sup> Quarter 2025

## Investment Objective

The Sterling Capital Small Cap Value SMA seeks long-term capital appreciation. The portfolio employs a value investment approach to invest primarily in common stock of small-capitalization companies (those with market capitalizations that are below the market capitalization of the largest company in the Russell 2000® Index). We believe that undervalued companies with good earnings prospects have superior appreciation potential with reasonable levels of risk. Quantitatively, we focus on a stock's fundamental valuation relative to its peers. Qualitatively, we seek to identify business catalysts which will serve to drive future earnings growth, increase investor interest, and expand valuation.

Performance	QTR	YTD	1Y	3Y	5Y	10Y	Since Inception <sup>1</sup>
Sterling (Gross)	-5.49%	-5.49%	0.29%	5.10%	17.72%	8.30%	10.55%
Sterling (Net)	-6.20%	-6.20%	-2.64%	2.03%	14.32%	5.15%	7.34%
Index	-7.74%	-7.74%	-3.12%	0.05%	15.31%	6.07%	7.74%

## Key Quarterly Performance Notes

- The Portfolio posted a total return of -5.49% (gross of fees) and -6.20% (net of fees) during the three-month period ended 03.31.2025.
- Holdings within the Communication Services, Consumer Staples, Real Estate, and Utilities sectors performed best on an absolute basis within the portfolio.
- Holdings within the Health Care, Information Technology, Energy, Materials, and Industrials sectors posted the weakest absolute returns within the portfolio.
- The Portfolio outperformed the Russell 2000® Value Index by 154 basis points (bps) during the quarter.
- Relative performance: Main drivers of relative performance during the fourth quarter included positive stock selection within the Consumer Staples, Industrials, Communication Services, and Real Estate sectors along with positive allocation effect from the Portfolio's overweight exposure to the Consumer Staples sector. This was offset by negative stock selection within the Health Care, Utilities, and Financials sectors.

BPS = basis points. <sup>1</sup>The composite inception date is 12.31.2001. Data is as of 03.31.2025. Performance results prior to 08.01.2015 are considered "predecessor performance" and were achieved by the investment team when they were part of the Stratton Management Company. The benchmark is the Russell 2000® Value Index. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are preliminary and are presented net of the investment management fees and trading expenses. Gross of fees performance returns reflect the deduction of trading costs: a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in SCM's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index: however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the attached GIPS Composite Report for additional disclosures. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the gross composite return. Sources: Russell Investments; eVestment Alliance; Sterling Capital Management Analytics.

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## Market Commentary

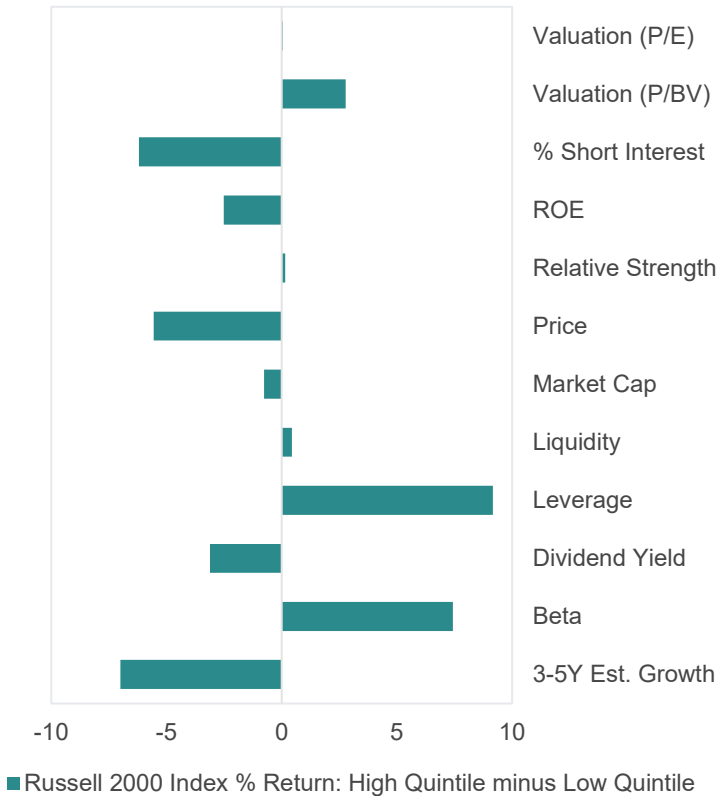
### Small Cap Market Review

- Small cap equities, represented by the Russell 2000® Index, posted a total return of -9.48% in the first quarter. Markets began the year on strong footing in January, but quickly turned negative as uncertainty around government policy became a key focus for the remainder of the quarter. Concerns about the impacts of proposed trade policies, including tariffs, slowing economic data, hotter-than-expected inflation readings, and weakening consumer confidence weighed on domestic stocks. Growth equities generally underperformed their value counterparts across the cap spectrum, as excitement around the Artificial Intelligence trade cooled in recent months.
- From a style perspective, equities with defensive factors generally performed well within the Russell 2000® Index with lower beta, short interest, and long-term growth estimates factors outperforming during the quarter.
- The Utilities, Consumer Staples, and Real Estate sectors performed best within the broad small cap benchmark, while the Information Technology, Consumer Discretionary, Energy, Communication Services, and Industrials sectors posted the weakest aggregate returns.
- The Russell 2000® Value Index outperformed its Growth counterpart by 338 bps during the period.

## Outlook

- Significant potential domestic policy changes and a shifting global trade landscape have meaningfully increased the level of market uncertainty, leaving the outlook for the remainder of 2025 cloudy. Investor concerns around the tariff policies, the direction of interest rate policy, and the overall health of the economy are juxtaposed with optimism for expected tax reform and potential improvement in the US fiscal situation. These crosscurrents may contribute to an environment of heightened market volatility.
- Earnings multiples for both large and small caps remained elevated at the close of the quarter. Earnings growth will likely need to play a larger role in driving equity performance for the remainder of the year, as the likelihood of further multiple expansion is low from these levels.
- Recent performance has benefited defensive sectors relative to cyclical sectors, a trend which may remain in the near-term as the effects of government policy, including potential tax reform and tariff policies, are digested by market participants.
- We continue to invest in higher quality, value equities with above peer-average earnings prospects. We believe companies with these characteristics are better equipped to manage through uncertain market environments and these equities ultimately perform favorably in the long run relative to the broad market.

Factor Performance:  
Small Cap Equity Market



The above chart depicts the performance of the constituents of the Russell 2000 Index based on relative composite fundamental characteristics. The benchmark for this composite is the Russell 2000 Value Index. For illustrative purposes only, characteristics are also shown for the Russell 2000 Index in order to provide additional information on the broader small-cap equity market. For each characteristic, the constituents of the index are sorted and grouped into quintiles. The bar adjacent to each characteristic listed shows the performance of the stocks in the highest quintile relative to the performance of the those in the lowest quintile. Terms and definitions can be found on page 4. Source: Bloomberg L.P.



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## Performance Attribution Analysis

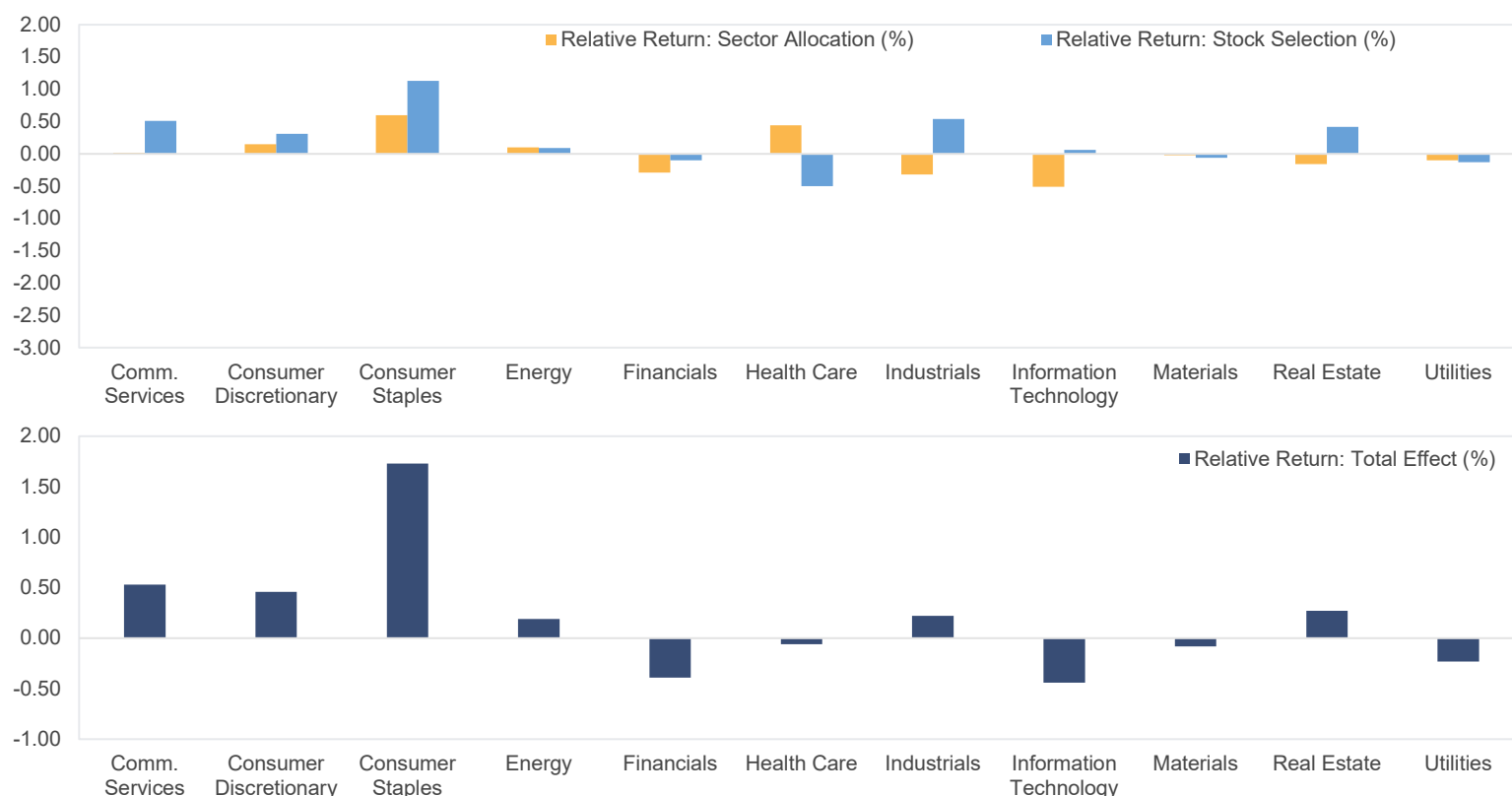
Top Contributors		Bottom Contributors	
• BJ's Wholesale Club	• Take-Two Interactive	• West Pharmaceutical	• PTC
• Hanover Insurance	• First Industrial Realty	• ON Semiconductor	• Moog
• Casey's General Stores		• MasTec	

### Relative Contributors

- Positive stock selection within, and an overweight allocation to, the Consumer Staples sector. The portfolio holdings BJ's Wholesale Club and Casey's General Stores outperformed sector peers.
- Positive stock selection within the Communication Services sector as portfolio holding Take-Two Interactive outperformed during the period.
- Positive stock selection within Consumer Discretionary sector as portfolio holdings outperformed sector peers.

### Relative Detractors

- Negative allocation effect due to the portfolio's overweight exposure to the Information Technology sector.
- Negative stock selection within the Financials sector driven by underperformance of portfolio holdings Glacier Bancorp and Wintrust Financial.
- Negative stock selection within the Utilities sector as portfolio holdings Portland General and Southwest Gas underperformed sector peers.



Data is as of 03.31.2025. Sources: FactSet; Sterling Capital Management Analytics. Attribution source: FactSet. Attribution results are shown for illustrative purposes only.

# Important Information & Disclosures

**Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Economic charts are provided for illustrative purposes only. The information provided herein is subject to market conditions and is therefore expected to fluctuate.**

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SCM does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.

Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are preliminary and are presented net of the investment management fees and trading expenses. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the gross composite return. Gross of fees performance returns reflect the deduction of trading costs: a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in SCM's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index: however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the attached GIPS Composite Report for additional disclosures.

Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

Technical Terms: the below technical terms are sourced from Corporate Finance Institute.

**Price-to-earnings ratio (P/E ratio)** is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

**Price-to-book (P/B) ratio** is the ratio to the market value of a company's shares (share price) over its book value of equity.

**Return on equity (ROE)** is the measure of a company's net income divided by its shareholders' equity.

**Beta** measures the volatility of returns relative to the entire market. It is used as a measure of risk and is an integral part of the capital asset pricing model. A company with a higher beta has greater risk and also greater expected returns.

**The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index.**

**The Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**The Russell 2000® Value Index** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

**Bloomberg L.P. Information:** "Bloomberg®" and the Bloomberg indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Sterling Capital Management LLC and its affiliates. Bloomberg is not affiliated with Sterling Capital Management LLC or its affiliates, and Bloomberg does not approve, endorse, review, or recommend the product(s) presented herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the product(s) presented herein.

## Sterling Capital Small Cap Value SMA

	Total Gross Return	Total Net Return	Benchmark Return	3Y Composite Std. Dev. (Gross)	3Y Benchmark Std. Dev.	Composite Dispersion	Number of Portfolios	Composite AUM (MM)	Total Firm AUM (MM)
2024	14.75%	11.43%	8.05%	21.42%	23.44%	Not Calculable	2	\$187	\$66,160
2023	18.89%	15.46%	14.65%	20.39%	21.75%	Not Calculable	1	\$261	\$66,746
2022	-13.59%	-16.15%	-14.48%	25.44%	27.27%	Not Calculable	1	\$317	\$62,842
2021	33.29%	29.49%	28.27%	23.05%	25.00%	Not Calculable	1	\$523	\$75,309
2020	2.22%	-0.78%	4.63%	24.31%	26.12%	Not Calculable	1	\$490	\$70,108
2019	25.79%	22.18%	22.39%	14.98%	15.68%	Not Calculable	1	\$975	\$58,191
2018	-13.59%	-16.14%	-12.86%	14.99%	15.76%	Not Calculable	1	\$961	\$56,889
2017	14.37%	11.07%	7.84%	13.00%	13.97%	Not Calculable	1	\$1,184	\$55,908
2016	26.51%	22.88%	31.74%	14.08%	15.50%	Not Calculable	1	\$1,277	\$51,603
2015	-3.03%	-5.87%	-7.47%	12.58%	13.46%	Not Calculable	1	\$1,163	\$2,984

Benchmark: Russell 2000® Value Index

Composite Creation Date: 09.26.2023

Inception Date: 01.01.2002

- Consists of all discretionary separately managed small capitalization equity portfolios managed in the Stratton relative value style. SCM's small capitalization equity accounts invest primarily in companies similar to the market capitalization of the Russell 2000® Index.
- The material risks of this strategy are, but not limited to, the following: Market Risk, Management Risk, Market Disruption and Geopolitical Risk, Company Specific Risk, Equity Securities Risk. For a full list of strategy risks, please reference Sterling Capital Management's Form ADV, Part 2A.
- Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sterling Capital Management LLC has been independently verified for the periods 01/01/2001 to 12/31/2023. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Benchmark returns are not covered by the report of the independent verifiers. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
- Sterling Capital Management LLC (SCM) is a registered investment advisor with the U.S. Securities & Exchange Commission (SEC). Registration does not imply a certain level of skill or training. SCM manages a variety of equity, fixed income and multi-asset portfolios. Prior to January 2001, SCM was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, SCM purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee-owned firm. In April 2005, BB&T Corporation (BB&T) purchased a majority equity ownership stake in SCM. In October 2010, the management group of SCM entered into an agreement with BB&T that reduced and restructured management's interest in SCM. Additionally, BB&T Asset Management merged into SCM. In January 2013, CHOICE Asset Management merged into SCM. In August 2015, eight new employees joined SCM via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T and SunTrustBanks, Inc. Holding Company merged as equals to form Truist Financial Corporation. SCM was then a wholly-owned subsidiary of Truist Financial Corporation. In August 2020, eight new employees joined SCM via the Investment Advisory Group of SunTrust Advisory Services. In July 2024, Guardian Capital LLC, a wholly-owned subsidiary of Guardian Capital Group Limited (Guardian), completed the acquisition of SCM from Truist.
- The performance presented represents past performance and is no guarantee of future results. Market and economic conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.
- A complete list of all of SCM's composites and SCM's broad distribution pooled funds and their descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Composite Reports are available upon request.
- Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. Valuations and performance are reported in U.S. dollars. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts. Effective 1/1/22, composite returns are calculated by weighting the individual portfolio returns using beginning of period market values. From 8/1/15 to 1/1/22, composite returns were asset weighted using the average capital base method that reflects both beginning market value and cash flows and uses the aggregate method. Prior to 8/1/15 composite returns were calculated by weighting the individual portfolio returns using beginning of period market values. Performance results prior to August 1, 2015 are considered "predecessor performance" and were achieved by the Relative Value Team when they were part of the Stratton Management Company.
- Gross of fees returns are presented before management fees but after all trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the gross composite return. Since inception, the composite contains only non-wrap accounts.
- The appropriate benchmark is the Russell 2000® Value Index which consists of stocks from the Russell 2000® Index with a less than average growth orientation and lower price-to-book ratios. It represents the universe of stocks from which value managers typically select. The index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of original investment.
- The annual composite dispersion presented is measured by an asset-weighted standard deviation calculation method of all portfolios in the composite for the entire year, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36-month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented when a full three years of composite performance is not yet available.