

# Focus Equity SMA Commentary

1st Quarter 2026

## Quarterly Review

Performance	QTR	YTD	1YR	3YR	5YR	Since Inception <sup>1</sup>
Sterling (Pure Gross)	-15.54%	-15.54%	0.65%	8.01%	2.65%	12.42%
Sterling (Net)	-16.20%	-16.20%	-2.29%	4.87%	-0.35%	9.16%
Russell 1000 <sup>®</sup> Growth Index	-9.78%	-9.78 %	18.81%	21.18%	12.76%	16.47%

## Performance and Market Update

Focus Equity declined -15.54% (gross of fees) and -16.20% (net of fees) in the first quarter as the broad U.S. equity market sold off and higher growth companies underperformed. The most significant catalyst for the quarter's volatility was the outbreak of hostilities involving Iran and the resulting spike in global energy prices. Oil and natural gas prices surged 50% as markets moved quickly to price in supply disruption risk across one of the world's most critical energy corridors. Higher energy prices flow through the economy in the form of elevated input costs for manufacturing, transportation, and agriculture industries, while simultaneously pressuring consumer discretionary spending as household energy budgets expand. Markets are weighing these second- and third-order effects, including reduced growth, tighter margins, and the potential for a global demand slowdown that may ultimately weigh on U.S. and global economic growth.

The Federal Reserve (Fed) now finds itself facing a renewed inflationary impulse driven not by demand excess, but by supply disruption, previously a more difficult dynamic to manage. Market participants have moved to price out further interest rate cuts, and in some scenarios, a resumption of tightening is no longer considered implausible. While the simultaneous prospect of slowing growth and rising prices introduces a new level of macro uncertainty, we believe periods like these have historically rewarded disciplined investors who remain focused on fundamentals and maintain a longer-term perspective.

Adding a third layer of complexity, artificial intelligence (AI) continues to reshape the competitive landscape in ways that appear to create both significant opportunity and meaningful disruption. The rapid advancement and enterprise adoption of AI, accelerated by the rise of highly capable models such as Anthropic's Claude, is beginning to show tangible productivity benefits across corporate America, conceivably providing a genuine tailwind for output and operational efficiency, in our opinion. At the same time, the displacement effects are real and are already manifesting in the form of meaningful volatility across software, consulting, data services, and other knowledge work intensive industries. Investors are grappling with a challenging paradox in that AI is simultaneously a source of productivity-driven optimism, yet a destabilizing force for established business models and labor markets. The resolution of this tension may likely define market leadership for years to come.

<sup>1</sup>Inception date is 12.31.2015. Data is as of 03.31.2026. The benchmark is the Russell 1000 Growth. The net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. "Pure" gross of fees performance returns do not reflect the deduction of any fees including 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. Sources: Russell Investments; eVestment Alliance; Sterling Capital Management Analytics.

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As new management has taken over the Focus Equity portfolio, we have made a number of changes intended to lower risk and potentially increase near-term growth and returns, exiting longer tail growth stories in favor of companies hoping to deliver near term cash flow. At the time of this leadership transition, the portfolio was heavily weighted to software, a concentration that we lowered in the quarter. Unfortunately, that overweight to software weighed on performance even as we worked to exit positions early in the quarter. Turnover was higher than we anticipated but may likely trend closer to our expected 20% annual level as we get closer to the end of the year.

## 1Q26 Attribution

Leading Contributors	Portfolio Weight	Total Return	Gross Contribution to Return
ASML Holding NV Sp ADR	6.45%	23.60%	0.82%
Saia	0.94%	27.24%	0.51%
Old Dominion	2.81%	24.78%	0.50%
Tokyo Electron U-ADR	0.39%	22.21%	0.49%
TJX Companies	1.89%	8.36%	0.20%

Sources: FactSet; Sterling Capital Management Analytics.

**ASML Holding NV (ASML)** outperformed the benchmark due to a surge in AI-driven demand that fueled record fourth-quarter 2025 net bookings of €13.2B, including €7.4B from extreme ultraviolet (EUV) systems. Robust demand for advanced logic and dynamic random access memory (DRAM) transitions successfully offset the anticipated slowdown in the company's China business. Furthermore, during the April earnings release, company management highlighted that customers are accelerating their medium-term capacity plans to capture market share in the AI space, we believe cementing confidence in a strong growth trajectory for 2026.

**Saia, Inc. (SAIA)**'s performance was driven, in our view, by continuous market share gains following competitor bankruptcies and the successful scaling of its newly expanded national terminal network,. The company demonstrated strong pricing power with mid-to-high single-digit contractual renewal increases, thereby successfully navigating a broader freight recession. Investors were further encouraged by sequential improvements in first-quarter 2026 operating data, where February shipments inflected positively, signaling macro resilience and a potential cyclical recovery. These positives became fully reflected in the valuation and we sold the holding during the quarter.

**Old Dominion Freight Line, Inc. (ODFL)**, in our view, outpaced the broader growth index by leveraging its industry-leading service standards and disciplined, cost-based pricing strategy despite a soft macro volume environment. ODFL also appeared to benefit from a strengthening industrial recovery narrative, supported by consecutive months of expansion in the Institute of Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI). We believe the company continues to appeal to investors through ongoing capital returns, paying out healthy dividends and repurchasing shares.

Please refer to the Performance Disclosure found on page 11. Please refer to the preceding table titled "Performance", which provides the gross and net of fee returns of the composite, including performance results for the prescribed 1-year, 5-year, and 10-year periods (or since inception, as applicable).



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**Tokyo Electron Ltd (TOELY)** benefited from the AI boom, which catalyzed significant capital investments in advanced packaging, testing, and memory semiconductor production equipment. The company upgraded its full-year fiscal 2026 guidance on the back of active AI server demand. A newly announced share repurchase program seemed to further reinforce investor confidence, but the valuation became stretched relative to other holdings also benefiting from these trends. We sold Tokyo Electron to put more emphasis on stocks with more attractive valuations.

**TJX Companies Inc (TJX)** demonstrated macro resilience by appearing to capture market share from budget-conscious consumers trading down to off-price channels. The retailer reported excellent fiscal 2026 results, surpassing \$60B in annual sales while delivering a 5% increase in consolidated comparable sales. TJX capitalized on inventory availability across the marketplace, allowing the company to source premium brands and widen its value gap against traditional department stores. We believe this strong execution and margin expansion drove double-digit earnings growth, solidifying its position as a defensive compounder in a volatile retail environment.

Leading Detractors	Portfolio Weight	Total Return	Gross Contribution to Return
Adyen N.V. UnSp ADR	6.93%	-39.31%	-2.89%
CoStar Group	4.53%	-40.01%	-2.08%
Microsoft	6.13%	-23.28%	-1.46%
Shopify Cl-A	4.72%	-26.31%	-1.28%
S&P Global	7.28%	-18.42%	-1.27%

Sources: FactSet; Sterling Capital Management Analytics.

**Adyen N.V. (ADYEV)** Adyen's stock lagged the benchmark during the first quarter of 2026 as we believe macroeconomic uncertainty clouded the payments sector and AI-disruption fear impacted the software industry. Company management issued softer than expected revenue growth guidance, causing its valuation to contract. Furthermore, we believe the company faced near-term headwinds from foreign exchange volatility and tariff-related volume slowdowns in the Asia-Pacific (APAC) region. After our team reaffirmed a positive long-term outlook, we have confidence in Adyen management and see the valuation as supportive.

**CoStar Group, Inc. (CSGP)** lagged the benchmark for the quarter following disappointing results and a weaker than expected margin outlook. The company projected a 300 basis point (bps) decline in 2026 commercial margins due to elevated investments across its residential segment, international expansion, and new product integrations. Investors grew increasingly concerned that these heavy investments, particularly in Homes.com, were pressuring potential near-term profitability, while the broader commercial real estate market experienced only an uneven recovery. Consequently, the stock experienced multiple compression as the market appeared to penalize the delayed timeline for harvesting operating leverage. The longer-term fundamentals are under review, and we are monitoring the situation closely.

The Asia-Pacific (APAC) region, or Indo-Pacific, is a vast, economically diverse area surrounding the western Pacific Ocean. It generally includes East Asia, Southeast Asia, South Asia, and Oceania, encompassing major economies like China, India, Japan, Australia, and ASEAN nations. Please refer to the Performance Disclosure found on page 10. Please refer to the preceding table titled "Performance", which provides the gross and net of fee returns of the composite, including performance results for the prescribed 1-year, 5-year, and 10-year periods (or since inception, as applicable).



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**Microsoft Corporation (MSFT)** shares underperformed the benchmark in the quarter despite delivering strong underlying Azure and AI revenue growth. We feel the software sector faced extreme sentiment headwinds as investors aggressively rotated into semiconductor stocks and heavily scrutinized the massive capital expenditures (CapEx) required for AI infrastructure. Additionally, broad market debates intensified regarding the potential for AI capabilities to cannibalize traditional software seats, causing Microsoft to trade at a discount to its historical valuation multiples. These near-term fears overshadowed the company's positive commercial cloud performance and longer-term competitive positioning in our view.

**Shopify, Inc. (SHOP)** lagged the benchmark, primarily driven by sector-wide software weakness and mounting fears over AI disruption, in our view. Market sentiment appeared to be heavily pressured by the emergence of agentic commerce, sparking debates about whether new AI-native platforms may disintermediate Shopify's merchant ecosystem and bypass traditional e-commerce infrastructures. While the company may remain defensible due to its tight vertical integrations, we believe these disruption narratives served as a persistent overhang on the stock's valuation. We are confident in the longer-term fundamentals and believe the valuation could represent an attractive risk/reward.

**S&P Global, Inc. (SPGI)** underperformed the benchmark as its Q4 results fell short of our expectations. Company management issued a conservative 2026 revenue guidance of mid single-digit growth, which was below the company's medium-term framework. The stock also appeared to be pressured by disruption fears over generative AI, even though proprietary benchmarks remain highly shielded. Consequently, the combination of a slightly lower margin outlook and broader market anxieties led to a temporary valuation pullback for the shares.

## Purchases

**Broadcom (AVGO)** – We initiated a new portfolio position in Broadcom (AVGO) to capitalize on its leadership across foundational AI infrastructure and enterprise software. We believe Broadcom's competitive position is anchored by its dominance in ethernet networking and deep co-development partnerships with hyperscalers like Google, Meta, Anthropic, and OpenAI, for whom it designs custom AI accelerators (XPU) at gigawatt scale. This entrenched role at the heart of AI buildout infrastructure, we feel, underpins strong and accelerating operating performance. Complementing their hardware market success, the integration of VMware Cloud Foundation appears to provide a profitable, recurring infrastructure software engine that serves as an essential layer for complex private cloud and AI workloads. Over our three-to-five-year investment horizon, we view shares as undervalued given that the stock trades at a reasonable forward price-to-earnings (P/E) discount relative to other pure-play AI peers while delivering healthy free cash flow (FCF) generation and a rapidly growing dividend.

Please refer to the Performance Disclosure found on page 10. Please refer to the preceding table titled "Performance", which provides the gross and net of fee returns of the composite, including performance results for the prescribed 1-year, 5-year, and 10-year periods (or since inception, as applicable). For a full discussion of portfolio changes, please refer to our stock writeups issued in the month after the activity.



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**TJX Companies (TJX)** – We initiated a position in TJX Companies (TJX), a leader in the global off-price retail industry, as we believe it fits our criteria for a resilient, competitively advantaged compounder. The company's structural moat is underpinned by a massive global buying infrastructure that sources from over 21,000 vendors across more than 100 countries, enabling a "treasure hunt" experience that consistently drives traffic across a wide customer demographic. We believe TJX is uniquely positioned to benefit from the secular consumer migration toward value, while simultaneously capitalizing on high-quality branded inventory availability resulting from broader retail market dislocation. Furthermore, we anticipate durable profitability and margin strength driven by normalizing shrink, resilient merchandise margins, and an expansive long-term runway to potentially grow its global footprint to over 7,000 stores. We view TJX as fundamentally undervalued for a three-to-five-year holding period given its highly consistent execution, robust capital returns, and strong capacity for ongoing global market share gains.

**Cintas Corporation (CTAS)** – We initiated a position in Cintas Corporation (CTAS), a leader in corporate identity uniforms and facility services, as we think it aligns well with our preference for resilient, competitively advantaged compounders. The company appears to possess a formidable structural moat driven by unparalleled route density and scale, in our view, positioning it to capitalize on the secular outsourcing trend toward health, hygiene, and safety compliance across businesses of all sizes. We see a potential multi-year runway for organic growth fueled by significant cross-selling opportunities. Furthermore, Cintas seems to be poised for durable margin expansion driven by technological investments like SmartTruck routing and Systems Applications & Products in Data Processing (SAP) integration, alongside the highly strategic acquisition of UniFirst, which is expected to unlock material operational synergies. We believe Cintas remains fundamentally undervalued over a three-to-five-year holding period due to its notable execution, durable pricing power, and potential capacity for long-term market share gains.

**Costco (COST)** – We bought Costco during the quarter because of its historically unassailable competitive moat, which we believe is fundamentally driven by a strong membership model and absolute pricing authority. The company's disciplined merchandising strategy and the strength of its Kirkland Signature private label create a recurring value proposition that drives consistent traffic growth and boasts global renewal rates holding firm near 90%. Furthermore, we believe Costco is successfully unlocking new growth frontiers through robust omnichannel integration, with recent digital sales surging over 20% and a nascent retail media network designed to monetize its deep member data. These structural advantages appear to yield healthy financial performance, characterized by steady double-digit earnings growth and FCF generation that frequently funds lucrative special dividends. Although the stock commands a premium valuation at roughly 47x forward earnings, we believe this multiple is fully justified over a three-to-five-year holding period given the company's compounding defensive growth, ongoing warehouse expansion, and unmatched customer loyalty in a volatile retail landscape.

**MercadoLibre (MELI)** – We bought MercadoLibre in the quarter because it operates a highly synergistic, dual-engine ecosystem that appears to dominate Latin America's rapidly expanding e-commerce and digital financial services markets. On the commerce side, the company has built a powerful competitive moat through a proprietary, localized logistics network that delivers nearly 75% of its fast shipments within 48 hours, effectively insulating its market share from formidable global competitors, in our view. Simultaneously, its Mercado Pago fintech arm has evolved from a basic digital wallet into the region's premier digital bank, boasting nearly 78MM monthly active users.

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**MercadoLibre (MELI)** (cont'd.) – We believe these tightly integrated platforms create powerful, self-reinforcing network effects that have driven a unique financial trajectory, highlighted by the company capping off 2025 with 45% year-over-year quarterly revenue growth and generating returns on invested capital above 15%. Although the stock trades at approximately 34x earnings, we view this valuation as a highly compelling entry point for a three-to-five-year holding period, as company management's deliberate, aggressive investments in credit card issuance and fulfillment infrastructure seem to be cementing its regional leadership and priming the business for long-term operational leverage.

**Palo Alto Networks (PANW)** – We initiated a new portfolio position in Palo Alto Networks (PANW), as we believe the company aligns well with our investment criteria for high-quality businesses successfully executing a vendor consolidation playbook. The company's platforming strategy is driving long-term contract momentum and recurring revenue, in our opinion, evidenced by a best-in-class net retention rate among platform customers and low single-digit churn. Furthermore, PANW is rapidly monetizing next-generation AI capabilities, with its Cortex XSIAM security operations platform recently surpassing \$500MM in annual recurring revenue while dramatically reducing threat remediation times for enterprise clients. We think the recent strategic acquisition of CyberArk further deepens their competitive moat by establishing identity security as a fourth core platform pillar to potentially protect against emerging machine and agentic AI vulnerabilities. Looking out over a three-to-five-year holding period, we believe PANW is materially undervalued relative to its robust growth trajectory, FCF margin expansion, and high returns on capital.

**Nvidia (NVDA)** – We purchased a new position in Nvidia (NVDA), a business that we believe fits our mandate given its strength in AI compute and full-stack data center infrastructure. The company is generating unprecedented data center revenue growth, recently highlighting a massive \$1T-plus pipeline for its next-generation Blackwell and Vera Rubin platforms, that extends through calendar year 2027. Nvidia's long-term competitive moat is continually widening, we believe due to its extreme co-design strategy across hardware, networking, and proprietary software ecosystem which delivers unrivaled cost-per-token efficiency for emerging agentic AI workloads. Despite its massive scale, the market appears to fundamentally underappreciate this sustained growth trajectory and the industry's rapid shift toward economically profitable inference applications. Looking ahead over a three-to-five-year holding period, we view the stock as undervalued, trading at near-market multiples of earnings-per-share (EPS) and cashflow for a stronger growth profile.

**Eaton Corp PLC (ETN)** – We initiated a position in Eaton Corp PLC (ETN) because we feel its power management portfolio aligns well with our criteria for resilient businesses that seem poised to compound capital alongside the secular megatrends of electrification, digitalization, and reindustrialization. The company appears to be uniquely positioned to capture generational demand from a record \$3T North American megaproject pipeline and growing AI data center buildouts, where its comprehensive grid-to-chip power solutions are capturing higher revenue content per megawatt. To capitalize on unprecedented order acceleration and a multi-year backlog, company management is aggressively investing over \$1.5B in North American capacity expansions across critical electrical components. This organic growth is augmented by a highly disciplined portfolio strategy that includes spinning off its legacy Mobility business while acquiring high-growth assets like Boyd Thermal and Fibrebond to cement its leadership in modular power and advanced liquid cooling. We believe Eaton remains fundamentally undervalued for a three-to-five-year holding period as these strategic pivots, combined with operating leverage from its expanded capacity, are projected to drive sustained margin expansion and a long-term EPS compound annual growth rate (CAGR) of 10% or more through 2030.

For a full discussion of portfolio changes, please refer to our stock writeups issued in the month after the activity.



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**Vistra Corp (VST)** – We initiated a position in Vistra Corp (VST) during the quarter because its integrated retail and power generation business model fits our portfolio criteria for companies with exposure to secular electricity demand growth. We believe the company's long-term earnings visibility has significantly improved following landmark 20-year power purchase agreements to supply zero-carbon nuclear energy to Amazon Web Services (1.2 GW at Comanche Peak) and Meta (2.6 GW across its PJM fleet). Crucially, the Meta partnership helps support 433 MW of capital-efficient nuclear capacity uprates at the Perry, Davis-Besse, and Beaver Valley plants, delivering highly contracted growth to meet expanding AI data center requirements. This contracted growth is paired with disciplined capital allocation, where company management targets at least \$1B in annual share repurchases (having already retired roughly 30% of outstanding shares since late 2021), alongside an historically reliable \$300MM annual dividend. We believe the stock remains undervalued for a three-to-five-year holding period, as the combination of robust base business margins, new data center contracts, and aggressive share count reductions is projected to drive growth in FCF.

## Sells

**Tokyo Electron Ltd (TOELY)** – We exited our position in Tokyo Electron in favor of starting new positions in large-cap AI enabling market leaders. While the long-term AI narrative remains, the emergence of domestic Chinese equipment makers with advanced tools seem to pose a significant structural risk to TOELY's long-term market share there, and the investment thesis and valuation of major chip players offered a more compelling opportunity in our view.

**MongoDB Inc (MDB)** – We sold MongoDB in the quarter as growth in the core Atlas cloud platform began to moderate, with guidance coming in below expectations and reflecting a notable deceleration from previous years. The "easy growth" phase appears to have concluded as the company faces intensifying competition from hyperscaler-native databases like AWS DynamoDB and Azure Cosmos DB. Additionally, recent leadership changes introduce execution risks, in our view.

**MSCI Inc (MSCI)** – The decision to sell MSCI was driven by supporting evidence that its core index subscription growth has slowed into the high-single digits as the company seems to have reached a "ceiling" with 98 of the top 100 global asset managers already being clients. We are concerned that the business is shifting from an offensive to a defensive posture, with growth appearing to become increasingly dependent on price increases rather than new volume.

**HubSpot Inc (HUBS)** – We exited HubSpot as growth is beginning to moderate at scale, and the company's heavy exposure to the SMB segment may make it particularly vulnerable to macroeconomic tightening, potentially rising churn in lower-tier customers and AI disintermediation. In our view, its seat-based monetization model is proving to be vulnerable as agentic AI begins to automate tasks previously performed by human users.

**Cadence Design Systems Inc (CDNS)** – We sold Cadence as its valuation approached 50x P/E, which we believe leaves little room for upside given its revenue growth is expected to decelerate. We concluded that the China policy risk and elevated valuation, combined with our preference to concentrate electronic design automation-adjacent exposure elsewhere, made this a logical exit. We continue to hold Synopsys, a leading competitor in the chip design space.

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**Atlassian (TEAM)** – We exited our position in Atlassian during the quarter as the combination of decelerating seat growth, mounting cloud migration friction, and stretched valuation multiples appeared to diminish the stock's risk/reward profile for our three-to-five-year investment horizon. Also, potential disruption from AI derived software and services bring the longer-term thesis into question in our view. We opted to reallocate this capital toward what we believe are more compelling long-term opportunities.

**Saia, Inc. (SAIA)** – Saia's notable performance was driven by continuous market share gains following competitor bankruptcies and the successful scaling of its newly-expanded national terminal network. The company demonstrated strong pricing power with mid-to-high single-digit contractual renewal increases, successfully navigating a broader freight recession. Investors were further encouraged by sequential improvements in first-quarter 2026 operating data, where February shipments inflected positively, signaling macro resilience and a potential cyclical recovery. These positives became fully reflected in the valuation and we sold the holding during the quarter.

## Outlook and Conclusion

We believe that periods of elevated uncertainty are perhaps the most reliable barometer of business quality, exposing the true durability of a competitive position in ways that calm markets cannot. Companies with wide competitive moats, high FCF conversion, and low earnings variability tend to not merely survive difficult environments but can potentially emerge from them with stronger competitive positions, having gained customers, talent, and market share from less resilient peers. Our investment philosophy is built on identifying these businesses and holding them with conviction through inevitable periods of short-term volatility. While the macro backdrop for the balance of 2026 will require careful navigation, we remain confident that the companies in our portfolios may be well-positioned to compound value for our clients over the long term.

Thank you for your continued trust and investment in Sterling Capital.

Casey Nelsen, CFA®  
Co-Portfolio Manager

Charles Radtke, CFA®  
Co-Portfolio Manager

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## March 31, 2026 Positions<sup>1</sup>

ADYEV	5.6%
GOOG	8.0%
AMZN	5.8%
ASML	6.8%
AVGO	4.5%
CTAS	2.4%
CSGP	3.8%
COST	3.1%
ETN	3.9%
IDXX	7.0%
MELI	3.6%
MSFT	5.9%
NVDA	4.4%
ODFL	3.2%
PANW	1.5%
SPGI	7.5%
NOW	2.3%
SHOP	4.6%
SNPS	3.9%
TJX	2.9%
VEEV	3.4%
VST	2.2%
WDAY	2.0%
<b>Top 5 Total</b>	<b>35.2%</b>
<b>Top 10 Total</b>	<b>60.1%</b>
<b>Top 15 Total</b>	<b>78.7%</b>
<b>Top 20 Total</b>	<b>92.6%</b>

<sup>1</sup>Representative Account. Holdings note: The weightings for your account may differ somewhat from the figures above due to variations in account holdings, trade timing, and other client-specific circumstances. For illustrative purposes only. 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.



# Important Information

## Disclosures

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**Performance Disclosure:** The net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. "Pure" gross of fees performance returns do not reflect the deduction of any fees including 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.

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**The Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

Technical Terms: **Earnings per share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. It is common for a company to report EPS that is adjusted for extraordinary items and potential share dilution. The **The ISM Manufacturing PMI (Purchasing Managers' Index)** is a monthly, high-impact economic indicator released by the Institute for Supply Management (ISM) on the first business day of the month. It measures the performance of the U.S. manufacturing sector based on surveys of over 400 purchasing managers, acting as a key forward-looking guide for economic growth. A **basis point (bps)** is a common unit of measure in finance equal to one-hundredth of one percentage point (0.01% or 0.0001). It is used to precisely denote changes in interest rates, bond yields, and fee structures, where 100 basis points equal 1%. **Capital expenditures (CapEx)** are funds companies use to acquire, upgrade, or maintain physical assets like buildings, technology, or equipment, with the goal of increasing operational scope or future economic benefits. **Forward earnings** are estimates of a company's future earnings that are used by investors to assess potential stock performance. The **compound annual growth rate (CAGR)** is the rate of return that an investment would need to have every year in order to grow from its beginning balance to its ending balance, over a given time interval. The CAGR assumes that any profits were reinvested at the end of each period of the investment's life span. The **forward price-to-earnings (P/E)** is a valuation metric that divides a company's current stock price by its estimated future earnings per share (EPS), typically for the next 12 months. It helps investors evaluate if a stock is over- or undervalued based on projected growth, rather than historical performance. **Free cash flow (FCF)** is the amount of money a company has that exceeds the amount needed to sustain and grow the business. (Technical definitions are sourced from Corporate Finance Institute.)

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## Sterling Capital Focus Equity SMA

	Total "Pure" 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)
2025	10.78%	7.57%	18.56%	21.41%	14.71%	0.12%	29	\$9	\$69,234
2024	7.64%	4.51%	33.36%	26.43%	20.33%	0.08%	50	\$16	\$66,160
2023	44.12%	40.03%	42.68%	25.90%	20.51%	0.32%	80	\$27	\$66,746
2022	-33.73%	-35.74%	-29.14%	25.94%	23.47%	0.31%	104	\$25	\$62,842
2021	16.35%	12.99%	27.60%	20.02%	18.17%	0.36%	238	\$111	\$75,309
2020	36.48%	32.58%	38.49%	20.88%	19.64%	1.01%	251	\$104	\$70,108
2019	43.06%	39.00%	36.39%	13.72%	13.07%	0.67%	151	\$35	\$58,191
2018	4.19%	1.15%	-1.51%	13.77%	12.13%	Not Calculable	36	\$5	\$56,889
2017	29.91%	26.20%	30.21%	< 3 Years	< 3 Years	Not Calculable	5	\$1	\$55,908
2016	12.24%	8.99%	7.08%	< 3 Years	< 3 Years	Not Calculable	4	\$0	\$51,603

Benchmark: Russell 1000<sup>®</sup> Growth Index

Composite Creation Date: 08.03.2018

Inception Date: 01.01.2016

- Consists of all discretionary separately managed wrap Focus portfolios. SCM's Focus portfolio investments are flexible and may span growth and value, large- and small-capitalization companies, and various capital forms including equity, debt, and derivatives. The strategy seeks positions featuring sustainable, multi-year return profiles underpinned by businesses perceived to possess attractive financial returns, visible reinvestment opportunities, and talented management.
- The material risks of this strategy include, but are 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 (SCM) claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS standards. SCM has been independently verified for the periods 01/01/2001-12/31/2024. 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<sup>®</sup> 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.
- 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 SunTrust Banks, Inc. Holding Company merged as equals to form Truist Financial Corporation (Truist). SCM was then a wholly-owned subsidiary of Truist. In August 2020, eight new employees joined SCM via the Investment Advisory Group of SunTrust Advisory Services. In July 2024, Guardian Capital U.S. Asset Management (formerly Guardian Capital LLC), a wholly-owned subsidiary of Guardian Capital Group Limited (Guardian), completed the acquisition of SCM from Truist. In March 2026, Desjardins Group completed its acquisition of Guardian Capital Group Limited. SCM is now an indirect, wholly-owned subsidiary of Desjardins Global Asset Management Inc., which is part of the Desjardins Group.
- 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. All portfolios utilize trade-date and accrued income accounting. 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 9/1/18, composite returns are asset weighted using the beginning market value and time weighted return of the portfolios. Prior to 9/1/18, composite returns were asset weighted using the aggregate method that reflects both beginning market value and cash flows.
- "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the pure gross composite return. Prior to 8/31/18, gross of fees returns reflect the deduction of trading costs. Effective 9/1/18, "pure" gross of fees returns do not reflect the deduction of any fees including trading costs. The SMA fee includes all charges for trading costs, portfolio management, custody, administrative fees, and foreign withholding taxes. The maximum SMA or bundled external platform fee is 2.52% annually and includes SCM's actual management fee of 0.32%. SCM's actual management fees are 0.32% annually. From 12/31/15-8/31/18, the composite was comprised 100% of separate accounts. As of 9/1/18 the composite has been comprised 100% of wrap fee portfolios.
- Effective 1/1/22, portfolios are removed from the composite for flows 10% or greater of prior month portfolio market value. Portfolio remains out of the composite for the month of the flow and for one additional period. Prior to 1/1/22, portfolios were not removed from the composite for flows.
- Effective 3/31/20, the appropriate benchmark was changed retroactively to inception from the Russell 3000<sup>®</sup> Index to the Russell 1000<sup>®</sup> Growth Index. The Russell 1000<sup>®</sup> Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. 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 3-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.