

Real Estate SMA Commentary

2nd Quarter 2026

Investment Objective

The Sterling Capital Real Estate SMA seeks total return through investment in real estate securities. The portfolio invests primarily in common stock of real estate and real estate-related companies. We believe that real estate assets are an important part of a diversified portfolio and can provide an attractive combination of capital appreciation and current income. We view real estate securities as offering investors a cost-effective, liquid way to participate in the asset class. The portfolio uses a combination of quantitative and qualitative measures, including underlying real estate values, earnings multiples, geographic and tenant concentrations, balance sheet metrics, company strategies, and management capability, to identify the most attractive securities on a relative valuation basis within each property subsector.

Performance	QTR	YTD	1Y	3Y	5Y	10Y
Sterling (Gross)	10.66%	13.66%	13.39%	10.21%	4.22%	6.67%
Sterling (Net)	9.87%	12.02%	10.11%	7.02%	1.18%	3.56%
Bloomberg U.S. 3000 REIT Index	10.68%	14.87%	15.32%	10.05%	3.65%	5.90%

Portfolio Commentary

- The portfolio posted a total return of 9.87% (net of fees) during the three-month period ended 06.30.2026. In the quarter, it underperformed the Bloomberg U.S. 3000 REIT Index by 81 bps.
- **Absolute Performance Drivers:** The Real Estate Investment Trust (REIT) sector delivered strong returns in the second quarter, primarily in the month of April as the overall market bounced back from a March decline that had been sparked by the outbreak of war in the Middle East. Within our portfolio, Lodging, Office, and Residential were the top-performing subsectors. Infrastructure, Specialty, and Data Centers were laggards.
- **Relative Performance Drivers:** Quarterly underperformance versus the Bloomberg U.S. 3000 REIT Index was driven primarily by negative stock selection within the Specialty and Health Care subsectors. Positive stock selection within Residential and Retail served as partial offsets.

Bps= basis points. Inception date is 01.01.2002. Data is as of 06.30.2026. Sources: Bloomberg L.P.; eVestment Alliance; Sterling Capital Management Analytics. 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. 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.



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Top Ten Holdings ¹	
Digital Realty Trust, Inc.	7.25%
American Tower Corp	6.37%
Ventas, Inc.	5.57%
Equinix, Inc.	5.40%
Welltower Inc.	5.16%
EastGroup Properties, Inc.	4.01%
Prologis, Inc.	3.81%
UDR, Inc.	3.71%
Tanger Inc.	3.43%
Kite Realty Group Trust	3.41%

Contributors and Detractors

Primary relative contributors to quarterly performance were:

- Positive stock selection within the Residential subsector, led by portfolio holding UDR, Inc.
- Positive stock selection within the Retail subsector, led by portfolio holding Macerich.
- An underweight allocation to the Infrastructure subsector.

Primary relative detractors from quarterly performance were:

- Negative stock selection within the Specialty subsector, driven by portfolio holding VICI Properties.
- Negative stock selection within the Health Care subsector, driven by portfolio holding Sabra Health Care.
- Negative stock selection within, and an overweight allocation to, the Data Center subsector.

¹As a percentage of total net assets. Data is as of 06.30.2026. Attribution data is as of 06.30.2026. Sources: Bloomberg L.P.; FactSet. Attribution source: FactSet. Please refer to the performance disclosures on p.4 for additional information.



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Market Commentary

- The REIT sector gained 10.68% in the second quarter of 2026. The bulk of the quarter's advance came in April as REITs, along with the broader stock market, rallied following a ceasefire in the U.S.-Iran conflict. The war-driven rise in oil and other commodity prices had stoked inflation fears and higher interest rates in March, leading to a stock sell-off. After the April rally, the Real Estate sector paused in May, absorbing a continued rise in 10-yr Treasury yields that peaked just below 4.7%. June returns were choppy, though slightly positive, with the new Federal Reserve (Fed) Chair Kevin Warsh's hawkish tone in his first press conference offset by longer-term rates falling from their May highs.
- Lodging was the top-performing subsector in the quarter. The outlook for travel demand improved as fuel prices fell through the quarter and the World Cup, expected to be a major demand generator, kicked off to a positive start.
- Office also relatively outperformed as broadly positive quarterly reports across the subsector suggested that the post-COVID leasing lull has ended.
- Infrastructure was the worst-performing subsector in the quarter. Cell tower owners have been punished by higher rates, EchoStar's exit from the wireless market, and fears that direct-to-satellite will displace towers as communications infrastructure.
- Timber was also a poor performer as high mortgage rates held back home building and other major sources of lumber demand.

Summary and Outlook

- The conclusion of a Fed interest rate hiking campaign has historically marked the beginning of strong returns for REITs. However, this cycle has proven unique with fed funds lowered despite inflation above the Fed's 2% target, calling into question the duration of cuts.
- Inflation had slowed to close 2025, and energy price worries abated in Q2. However, the demand for labor and components critical to the artificial intelligence (AI) buildout is spurring price increases for a growing number of goods and services, pressuring prices upwards and sparking talk of potential rate hikes.
- The cumulative effect of two years of rising interest rates has meaningfully reduced new real estate construction. A combination of steady demand and limited new supply may portend higher rents and occupancies in coming years, potentially boosting REIT cash flows.
- We maintain an overweight exposure to Data Centers, where we believe a multi-year demand cycle may persist. Our portfolio is also overweight Industrial. We look for an economic expansion to drive a recovery in demand for warehouse space, with low supply deliveries to amplify the upside for landlords. In our opinion, both sectors have the pricing power necessary to offset potential interest rate increases.
- Investing in REITs with quality properties, balance sheets, cash flow streams, and management teams remains a key part of our process. Those attributes have historically been rewarded through economic cycles.

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.

Concentration Risk: The risk that the strategies concentration in REITs and other real estate-related securities may produce a greater risk of loss than a more diversified strategy.

Real Estate-Related Investment and REIT Risk: Real estate-related investments may decline in value as a result of factors affecting the real estate industry. Risks associated with investments in securities of companies in the real estate industry include decline in the value of the underlying real estate, default, prepayment, changes in value resulting from changes in interest rates and demand for real and rental property, and the management skill and creditworthiness of REIT issuers. The strategy will indirectly bear its proportionate share of expenses, including management fees, paid by each REIT in which the strategy invests.

Price to Funds From Operations (P/FFO), is a measure of the value of a Real Estate Investment Trust (REIT). The P/FFO metric is calculated by adding amortization and depreciation to the net income and then deducting the gains on the sale of properties. FFO deducts any gains or losses from the sale of assets, but does not account for deductions of capital expenditures, such as the maintenance of properties in the existing portfolio.

The **fed funds rate** refers to the interest rate that depository institutions (such as banks and credit unions) charge other depository institutions for overnight lending of capital from their reserve balances on an uncollateralized basis. The Federal Open Markets Committee sets a range for the fed funds rate between an upper and lower bound.

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

The **Bloomberg U.S. 3000 REIT Index** is a float market-cap-weighted equity benchmark that derives membership from the Bloomberg U.S. 3000 Index and includes companies with a Bloomberg Industry Classification System (BICS) level 3 industry classification of REIT. Indices are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.

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Sterling Capital Real Estate 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)
2025	2.22%	-0.76%	2.23%	15.86%	16.68%	Not Calculable	1	\$62	\$69,234
2024	7.16%	4.04%	4.93%	21.05%	21.21%	Not Calculable	1	\$69	\$66,160
2023	13.94%	10.65%	11.31%	21.14%	21.12%	Not Calculable	1	\$70	\$66,746
2022	-25.56%	-27.79%	-25.08%	21.87%	22.25%	Not Calculable	1	\$74	\$62,842
2021	39.30%	35.34%	41.02%	17.22%	18.35%	Not Calculable	1	\$111	\$75,309
2020	0.14%	-2.79%	-4.60%	17.09%	18.24%	Not Calculable	1	\$92	\$70,108
2019	27.75%	24.10%	28.64%	11.41%	11.54%	Not Calculable	1	\$105	\$58,191
2018	-2.10%	-4.96%	-4.08%	12.89%	12.81%	Not Calculable	1	\$84	\$56,889
2017	8.70%	5.54%	8.86%	12.75%	12.56%	Not Calculable	1	\$98	\$55,908
2016	9.04%	5.88%	8.59%	14.14%	14.10%	Not Calculable	1	\$93	\$2,984

Benchmark: Bloomberg U.S. 3000 REIT Index

Composite Creation Date: 09.30.2011

Inception Date: 12.31.2001

- Consists of all discretionary separately managed real estate portfolios managed in the real estate strategy. The strategy seeks total return through investment in real estate securities, which may be equity securities of issuers of any size and debt securities with any maturities. The strategy normally invests at least 80% of assets in securities of real estate and real estate related companies, or in companies which own significant real estate assets at the time of purchase and will include at least 25% in Real Estate Investment Trusts.
- 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®) 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® 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. 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 8/1/15-1/1/22, 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 8/1/15 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 the pooled vehicle account.
- The appropriate benchmark is the Bloomberg U.S. 3000 REIT Index. This index is a float market cap-weighted equity benchmark that covers companies classified as REIT per BICS level 3 sub-industry classifications and are of the 3000 most highly capitalized U.S. companies. Prior to 3/31/23, the benchmark was the FTSE NAREIT All Equity REITS Index, which contains all tax-qualified REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.
- 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.