Global Leaders SMA Commentary

3rd Quarter 2022

Simply stated, the philosophy behind the Sterling Capital Global Leaders portfolio is that global companies who establish themselves as #1 in their respective markets tend to stay #1 in those markets. Size usually translates to cost advantages in production, marketing, and research and development (R&D) expenditures that can be re-invested back into the business, making such advantages sustainable. Not insignificantly, industry leaders tend to be well-managed, since it is highly unlikely a company becomes its industry's best via pure luck.

We expect most of the holdings will be global household names, so-called "blue-chip" companies. While numerous factors are considered, we believe a company's historical track record is the single best indicator of future financial success, so almost by definition our qualitative criteria should identify companies that already enjoy great success. Depending upon market conditions and specific situations, we retain the flexibility to sprinkle in medium-sized companies that we believe fit a common-sense definition of industry leadership. In doing so, we believe we distinguish our portfolio from other large-capitalization investment alternatives, ideally with the result of boosting long-term after-tax returns without taking on commensurate risk.

Quarterly Review

For the quarter, the Global Leaders strategy returned -8.9% on a gross basis and -9.5% for net of estimated maximum fees compared to a -6.2% return for the MSCI World Index (net). Year-to-date, the strategy declined -32.2% on a gross basis and -33.6% net of estimated maximum fees versus a -25.4% return for the benchmark.

Performance	QTR	YTD	1YR	3YR	5YR	10YR	Since Inception[1]
Sterling (Gross)	-8.94%	-32.23%	-28.77%	-0.06%	3.91%	7.55%	5.58%
Sterling (Net)	-9.54%	-33.56%	-30.60%	-2.02%	2.18%	6.00%	4.09%
MSCI World Index	-6.19%	-25.42 %	-19.63%	4.56%	5.30%	8.11%	5.06%

Looking at strategy holdings, the portfolio's top contributor was Paypal, which rose +27% in the quarter as business trends stabilized and activist company Elliott Investment Management took a stake in the company. Amazon also rose in the quarter. We believe the stock's +6% return reflected optimism that recent ecommerce capacity investments will begin to scale as well as relief that cloud services strength in the Amazon Web Services (AWS) segment continued. Second-quarter addition Dexcom rose +8% in the quarter, as adoption of the company's diabetic sensors continued globally, and management offered reassuring commentary regarding the release of its next-generation sensors some time in 2022. Other recent additions, Boston Scientific and ASM Lithography, were also at the top of the leader list, although both were added to the portfolio during the quarter (see below) and therefore their contribution was limited.

[1]Effective 1.1.21 the maximum bundled external platform fee is 2.52%. Actual fees may vary by size and type of portfolio. [2]Inception date is 12.31.2000. Data is as of 09.30.2022. The benchmark is the MSCI World Net. 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 Sterling'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: MSCI; eVestment Alliance; Sterling Capital Management Analytics.

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Zooming into negative quarter contributors, Cellnex and Astrazeneca (down -20% and -16%, respectively) stood out as European domiciled entities as they were in close proximity to the Ukraine war and subject to declining local currencies versus the U.S. dollar. Cellnex is Europe's largest standalone wireless tower operator. This business is characterized by long-term contracts, most of which have inflation escalators. While this business can bear some leverage and the vast majority of debt is fixed and has extended maturities, we believe net debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) of between four to five times in a rapidly increasing rate environment was a sentiment headwind. In Astrazeneca's case, we believe litigation risk surrounding a competing acid reflux drug also impacted the stock in the quarter. Elsewhere, other negative contributors included Equinix (down -13%), ServiceNow (down -21%), and Adobe (down -25%) in the quarter. We regard all three as 'longer-duration' equities (higher growth, higher valuation). ServiceNow and Adobe saw slight decelerations in new bookings, although revenue growth remains healthy in our view considering the recurring nature of the businesses. Adobe also negatively surprised investors with a large acquisition of a growth competitor, Figma, and we like the strategic rationale of the deal.

3Q22 Contributors and Detractors

Leading Contributors	Portfolio Weight	Return	Gross Contribution to Return	Net Contribution to Return[1]
PayPal	1.47	23.24	0.45	0.44
Amazon	5.79	6.39	0.17	0.13
DexCom	2.98	8.06	0.06	0.04
Boston Scientific	1.84	2.32	-0.05	-0.06
ASML Holding NV ADR	1.05	-7.90	-0.08	-0.09

Leading Detractors	Portfolio Weight	Return	Gross Contribution to Return	Net Contribution to Return[1]
Cellnex Telecom S.A. UnSpons. ADR	5.31	-19.55	-0.94	-0.98
ServiceNow	4.02	-20.59	-0.86	-0.88
Astrazeneca PLC Spons. ADR	4.76	-16.41	-0.76	-0.79
Equinix	5.25	-13.04	-0.71	-0.75
Adobe	2.86	-24.82	-0.65	-0.67

Sources: FactSet; Sterling Capital Analytics.

Portfolio Changes

We added shares of Boston Scientific and American depository receipts (ADRs) of ASM Lithography Holdings in Q3.

We added shares of **Boston Scientific** beginning in July. Founded in 1979, the company is a diversified provider of medical technology products. We estimate more than 50% of its products address various cardiac or cardiovascular health applications, from stents that open up blood vessels, to cardiac rhythm devices that assist the heart to beat correctly, to innovative valves that allow blood to flow through the heart properly. Outside of cardiology, the company also has large franchises that address gastroenterology, urology, spine specialties, as well as general medical surgical products.

At a high level, we like the multifaceted and above-average growth story at Boston Scientific, which management specifically positioned the company for in the mid/late 2010s through a combination of organic research and development (R&D) efforts and bolt-on acquisitions. As early as 2012, Boston's revenue mix was 90% focused on established/mature markets, but since then, the mix has improved with high-growth markets now representing roughly half of the company's addressable market that are growing at a high single-digit to low double-digit pace (versus mid-single digit growth for the other half of the portfolio).

[1]Effective 1.1.21 the maximum bundled external platform fee is 2.52%. Actual fees may vary by size and type of portfolio. Please refer to the Performance Disclosure found on page 9.

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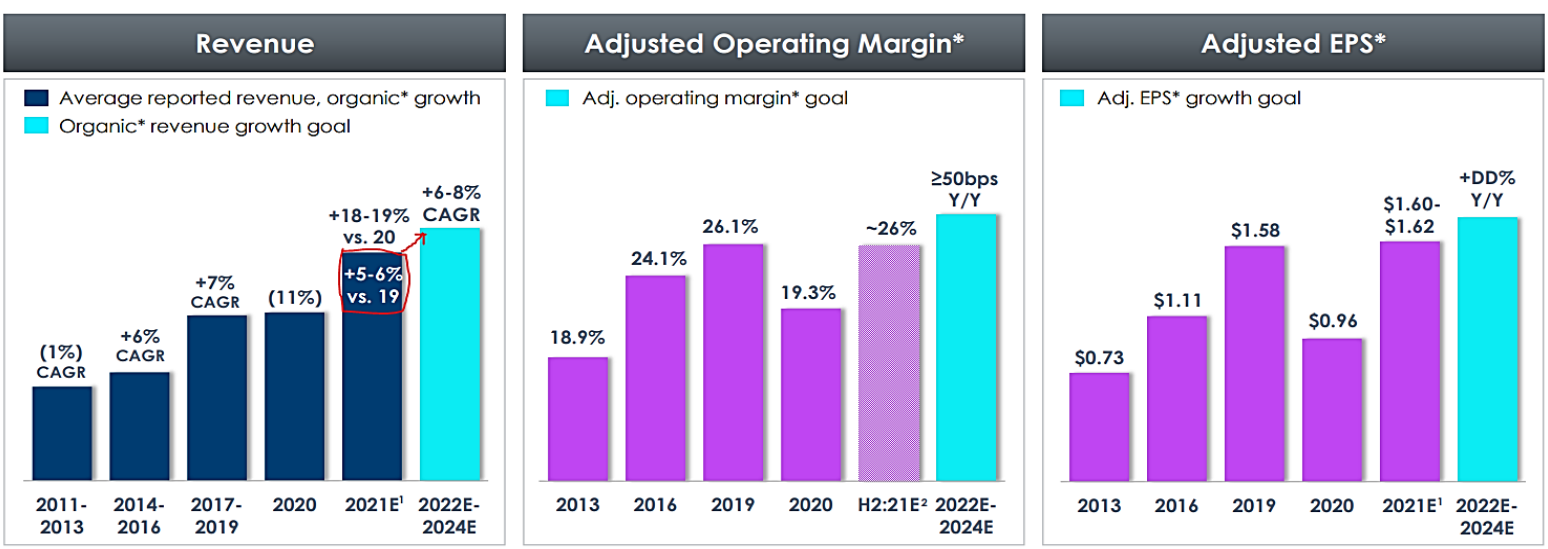
We would argue that the crown jewel within Boston Scientific is its Interventional Cardiology segment, which includes its Structural Heart products. This segment houses a variety of products, but one in particular that has been a home run is Watchman, a novel treatment for patients with arterial fibrillation (AFib) who are at risk of a stroke from blood clots that form in the left arterial appendage (LAA). The device closes the LAA and eliminates the need for life-long blood thinner use. Watchman has grown from less than $100 million in 2015 to likely more than $1 billion in 2022. We believe this product can continue to support growth above the corporate average.

Outside of Structural Heart, Boston also has a number of diversified drivers, including its Exalt line of endoscopes. These single use scopes are challenging multi-use scopes that have been a source of hospital-acquired infections for some time. We believe the long-term addressable opportunity here is large. POLARx and Farapulse (both therapies for atrial fibrillation, other arrhythmias, and other cardiac issues), remote cardiac monitoring products such as LUX-dx, newer generation products in the transaortic valve replacement (TAVR) market, continued share gain potential in peripheral stents, and other company-specific drivers provide a healthy growth pipeline, in our view.



*Denotes non-GAAP measure. [1]Based on 2021 guidance issued October 27, 2021. [2]Based on 2021 goal for second half adjusted operating margin reiterated on October 27, 2021. Source: Boston Scientific.

Positive contributions from these products and others are evident in the company's aggregate organic growth, which has accelerated to what we believe will be almost 10% in 2022 versus a mid-single digit rate on average in recent years. Beyond COVID-19, the company dealt with a disappointment in its Structural Heart segment, as products in the TAVR market failed to meet clinical thresholds in the U.S. to compete against the market leader, Edwards Scientific. In addition, the company signed long-term supply deals for Watchman, with hospitals in front of a competitive launch by Abbott. This move hurt growth in the short term but has proved important to Watchman's share and growth durability over the past year, in our view.

This growth reacceleration is key to our thesis, and with a robust internal venture capital strategy that gives the company a bolt-on acquisition pipeline, we like the company's chances of maintaining above-average revenue and earnings growth relative to peers. In addition, we note that capital returns are solid (return on equity (ROE) is in the mid-teens), while net debt to EBITDA of less than two is both healthy and offers capacity for deals. In terms of valuation, we purchased shares just below/around 20 times forward earnings, which was slightly below average versus Boston's historical average over the past five years. In addition, we expect earnings growth to be a multiple of the median for a direct peer set (Medtronic, Abbott, Stryker, and Zimmer) for a forward earnings multiple only 15% higher.

In July, we also added ADRs of **ASM Lithography**, a global provider of semiconductor equipment.

The semiconductor manufacturing process consists of several complex steps that start with an image of the chip design being beamed (called lithography) onto a wafer that is generally 8 to 12 inches in diameter. From there, specialized materials are deposited (called deposition) and then etched/cleaned from relevant areas. This sequence is repeated many times until all layers on the wafer are complete. The wafer is then diced/packaged into individual chips and tested to ensure they function properly. The tools to complete all of these steps account for a more than $60 billion market globally that has roughly doubled since 2012, according to Bernstein.

Based in the Netherlands, ASM Lithography (ASML) focuses almost solely on the lithography step, where we believe the company has a uniquely strong market position and competitive moat. The economic model for the industry has always been to drive semiconductor transistor linewidths smaller, as greater circuit density drives superior price/performance per unit of silicon. However, with transistors widths now measured in nanometers at the leading edge, lithography has become increasingly mission critical as this step pushes the physical boundaries of light. Indeed, we estimate ASML's total revenue alone as a percentage of total wafer fabrication equipment spend has risen to more than 30% over the past three years, up from the low 20% range over the ten years prior.

The pursuit of 'smaller, faster, cheaper' has been highly beneficial to ASM Lithography, in our view. Over a decade ago, the company, along with key financial sponsors like Intel, began investing in next generation technology called Extreme Ultraviolet (EUV) lithography. Today, ASML *is the only company by our estimation* that has successfully commercialized EUV. Whereas it has historically competed with Nikon and Canon in older generation lithography equipment, we believe it now has the closest thing to a monopoly in EUV. With ASM's intellectual property and relative cumulative time/financial investment, we believe this lead is unlikely to change soon. Our investment thesis rests on the adoption of EUV, a trend that is well underway with EUV systems accounting for roughly 45% of systems revenue in 2021 versus under 10% five years ago. We believe it is still in the early days of the EUV adoption cycle, and one powerful demand signal is that ASML has more than 80 systems in its backlog, or roughly two years of demand versus 2021 system shipments.

Source: The New York Times.

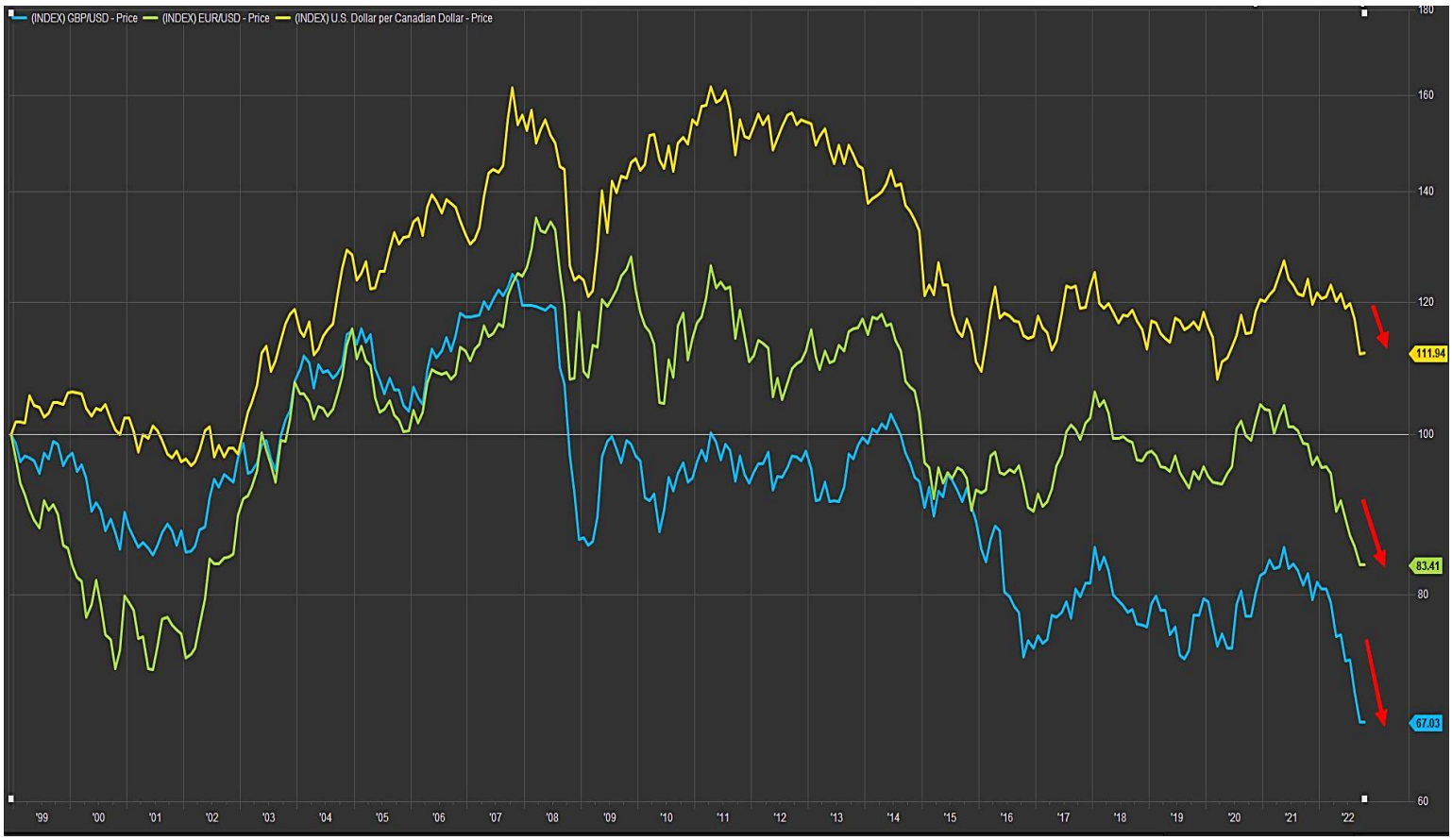
There are a variety of drivers that we believe will remain strong demand catalysts for ASML, even in an environment with cyclical and macro headwinds. The most prominent of these is simply that large hardware companies such as Apple are on aggressive competitive treadmills to continually innovate. In turn, this is likely to continue driving chip innovation, chip capacity needs at the leading edge, and therefore the demand for ASML tools. Second, EUV demand to date has been largely centered on large semiconductor foundries like Taiwan Semiconductor and Samsung, but increasingly, memory suppliers are joining the fray in search of low-cost manufacturing advantages. Third, geopolitical factors have more recently created incentives for incremental fabrication investments away from Asia and towards the U.S. and Europe. We view such efforts as adoption accelerants that should benefit ASML. Finally, the company is a newer entrant in the market for tools used to inspect semiconductor wafers for errors, and we like the long-term share-gain opportunity on vendors such as KLA-Tencor.

The stock in 2022 has been under pressure in the face of macroeconomic and geopolitical risks, along with the possibility that the semiconductor cycle is long in the tooth. We acknowledge these risks (backlog deferrals/cancellations are common in chip downcycles) but also, point out our belief that the majority of ASML's revenue is either driven by a R&D roadmap (the hardware competitive treadmill noted earlier) or the company's services/spares business that is more recurring in nature. Moreover, we estimate the long-term secular forces driving demand, combined with margin drivers, should be sufficient for mid-teens or better earnings growth average over a five-year investment window. Capital returns are also very strong (ROE was north of 50% in 2021), while cash and investments exceed ASML's debt load. Finally, with a forward earnings multiple in the 20-times range at purchase below its five- and ten-year averages, we find the risk/reward attractive.

Conclusion

As has been the case all year, external factors remained a material headwind on absolute and relative performance in the quarter. Central bankers including the Federal Reserve continued to act aggressively to tamp down inflation. Specifically, the Fed hiked rates by 75 basis points twice in the quarter, for a total of five times in 2022 and a total of 300 basis points impact on Treasuries. The net effect of this on 10-year Treasury yields was an increase from 2.9% to 3.8% in the quarter, and the overall yield curve's inversion continues to send a clear cautionary macro signal in the face of the Ukraine war, elevated global energy prices, and the overall risk that inflation/higher rates may pose key sectors in the economy (including, but not limited to, housing). For 'longer-duration' equities, we believe the impact on these factors has been similar to the impact seen in the bond market, whereby bonds with extended maturities are more sensitive to rate fluctuations than those with short durations.

In addition, we believe currency also represented a noticeable headwind on certain international Global Leaders holdings, especially late in the quarter. For more background, the MSCI World Index consists of roughly 40% U.S. stocks and more than 25% European stocks by numerical domicile, but the benchmark is more than 70% domestic by cap-adjusted weights given the impact large technology companies (Apple, Microsoft, Google, Amazon, and Tesla are 15% of the index combined). While we select stocks on a 'bottom's up' basis, we would note the portfolio's weighting towards Europe is closer to the numerical domicile versus the market-cap weighted level in the mid-teens. With the Euro and the British Pound falling 7% and 8% respectively in the quarter, we believe this had a notable impact on Cellnex, Astrazeneca, and our other European holdings.



Blue line: (Index) GBP/USD – Price. Green line: (Index) EUR/USD – Price. Yellow line: (Index) U.S. Dollar per Canadian Dollar – Price. Source: FactSet.

Blue value: 67.03; Green value: 83.41; Yellow value: 111.94.

Looking forward, if there's a silver lining to these exogenous headwinds, it's that we would posit that the valuation argument for the Global Leaders portfolio has notably strengthened. While our international/European overweight is an output (we like these holdings for company-specific reasons versus a top-down input), we note that valuations overseas sit two standard deviations below the historical average, according to J.P. Morgan research.

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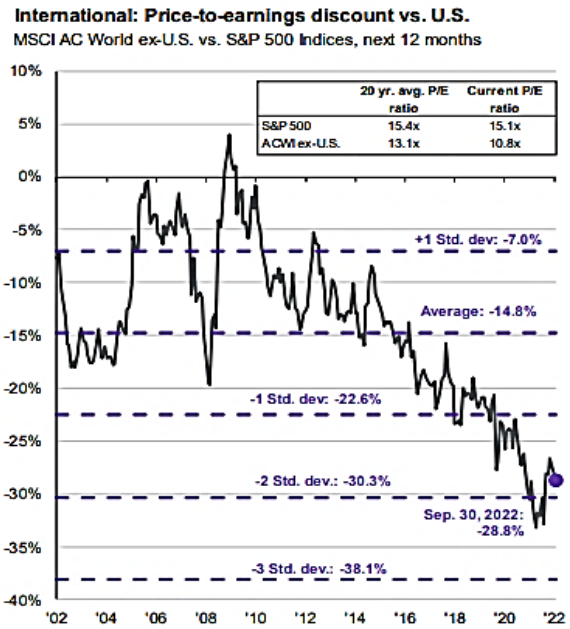

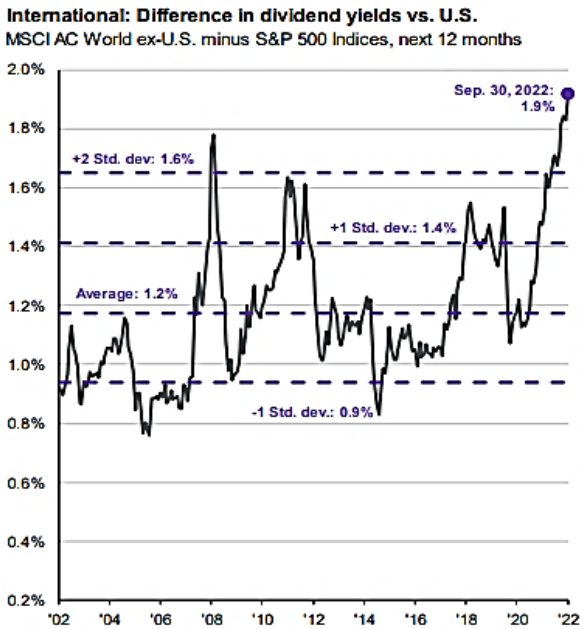

Source: J.P. Morgan. Data as of 09.30.2022.

Also, while a combination of growth and quality (profitability and financial stability) have historically performed well, they simply have not paid off in the short run. We note that the three worst performing sectors year-to-date in the MSCI World Index are Technology (down -34% YTD), Communication Services (-39%), and Consumer Discretionary (-32%) sectors. These comprise just over 40% of the index but represent almost 60% of the Global Leaders portfolio. Once again, we believe the valuation argument for Global Leaders has strengthened, as the average forward price over earnings (P/E) of the holdings in these sectors is now roughly 30% below its five-year average, while the median of these holdings is roughly 10% below the one standard deviation point under its five-year average.

Global Leaders Holdings in Technology, Comm Services, and Consumer Discretionary Sections – Valuation Dislocation

Ticker	Name	Sector	FY2 PE	% Below 5YR Average FY2 PE	% Below 1 Std Dev Under 5Y Avg FY2PE
ADBE	Adobe Inc.	Information Technology	18.3x	-41.7%	-26.2%
ADYEY	Adyen N.V. Unsponsored ADR	Information Technology	46.3x	-43.2%	-10.2%
AMZN	Amazon.com, Inc.	Consumer Discretionary	13.8x	-25.7%	-10.5%
ASML	ASM Lithography ADR	Information Technology	21.4x	-20.5%	9.3%
CGEMY	Capgemini SE Unsponsored ADR	Information Technology	13.4x	-15.0%	-0.6%
CLLNY	Cellnex Telecom S.A. Unsponsored ADR	Communication Services	13.0x	-24.1%	-11.7%
CNSWF	Constellation Software Inc.	Information Technology	22.5x	-11.6%	3.0%
MA	Mastercard Incorporated Class A	Information Technology	23.2x	-22.3%	-7.7%
MSFT	Microsoft Corporation	Information Technology	19.1x	-24.9%	-13.0%
PYPL	PayPal Holdings, Inc.	Information Technology	17.7x	-41.7%	-13.8%
WOOF	Petco Health and Wellness Company Inc Class A	Consumer Discretionary	12.3x	-38.3%	-11.5%
NOW	ServiceNow, Inc.	Information Technology	41.1x	-36.2%	-18.0%
TSM	Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	Information Technology	11.1x	-38.8%	-18.3%
TTWO	Take-Two Interactive Software, Inc.	Communication Services	15.4x	-34.6%	-19.6%
Average				**-29.9%**	**-10.6%**

NOTE: Amazon and Cellnex multiples are FY2 EV/EBITDA, as they better illustrate valuation dislocation, in our view. Adyen, Cellnex, and Petco have less than five years of valuation history.

Source: FactSet.

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In closing, while it has been a volatile year thus far, we continue to stay the course. The Global Leaders portfolio has been constructed with growth and quality attributes in mind (i.e. capital returns and balance sheets) relative to its benchmark, albeit at a premium multiple. 'Paying up' for these attributes has likely hurt performance year-to-date, but as valuations reset (as is illustrated above), we believe the portfolio is positioned well for mean reversions in currency/valuations, should macro pressures such as interest rates and energy prices moderate or reverse and company-specific fundamental drivers return to the forefront.

Global Leaders - Pillar Median vs. MSCI World Index

	EPS CAGR 2YR to 2024E	ROE FY1	Net Debt to EBITDA	PE FY2
Global Leaders	17.3%	21.0%	0.1x	20.1x
MSCI World Index	9.4%	13.6%	1.3x	14.3x
% Difference	84%	54%	-95%	41%

Sources: MSCI; FactSet.

Thank you for your investment and confidence in us.

Jeremy Lopez, CFA®
Co-Portfolio Manager

Colin Ducharme, CFA®
Co-Portfolio Manager

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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.

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Performance Disclosure: Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the maximum 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 Sterling’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. The Performance is considered Supplemental Information to the GIPS Composite Report which is attached.

The MSCI World Index: The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI ACWI ex-USA Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 Developed Markets (DM) countries and 26 Emerging Markets (EM) countries.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

Technical Terms: **EBITDA**, or earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income. By stripping out the non-cash depreciation and amortization expense as well as taxes and debt costs dependent on the capital structure, EBITDA attempts to represent cash profit generated by the company’s operations. The term **American depositary receipt** (ADR) refers to a negotiable certificate issued by a U.S. depositary bank representing a specified number of shares—usually one share—of a foreign company's stock. The ADR trades on U.S. stock markets as any domestic shares would. **Return on Equity (ROE)**: the measure of a company’s annual return (net income) divided by the value of its total shareholders’ equity, expressed as a percentage. Return on Equity is a two-part ratio in its derivation because it brings together the income statement and the balance sheet, where net income or profit is compared to the shareholders’ equity. The number represents the total return on equity capital and shows the firm’s ability to turn equity investments into profits. **Earnings per share (EPS)** is a financial ratio that divides net earnings available to common shareholders by the total outstanding shares over a certain period of time. The EPS formula indicates a company’s ability to produce net profits for common shareholders. **CAGR** stands for the Compound Annual Growth Rate. It is the measure of an investment’s annual growth rate over time, with the effect of compounding taken into account. It is often used to measure and compare the past performance of investments or to project their expected future returns. **The Price Earnings Ratio (P/E Ratio)** is the relationship between a company’s stock price and earnings per share (EPS). It is a popular ratio that gives investors a better sense of the value of the company. The P/E ratio shows the expectations of the market and is the price you must pay per unit of current earnings (or future earnings, as the case may be). (Technical definitions are sourced from Corporate Finance Institute.)

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Sterling Capital Management – Global Leaders SMA Composite

January 1, 2012 – December 31, 2021

Description: Consists of all discretionary separately managed wrap Global Leaders portfolios. Sterling's Global Leaders equity portfolios invest primarily in companies which have established themselves as market leaders, exhibiting sustainable advantages in production, marketing and research and development.

Year	Total Return "Pure" Gross of Fees	Total Return Net of Fees	No. of Portfolios	Composite Assets End of Period ($MM)	Total Firm Assets ($MM)	Composite Dispersion (%)	Benchmark	MSCI World (Net)	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2021	13.19	10.40	25	17	75,308	0.59	21.82	21.82	16.06	17.06
2020	20.58	19.19	42	30	70,108	0.62	15.90	15.90	16.50	18.27
2019	29.39	27.85	51	29	58,191	0.87	27.67	27.67	10.44	11.14
2018	-4.23	-5.41	57	26	56,889	0.50	-8.71	-8.71	9.90	10.38
2017	19.80	18.34	63	29	55,908	0.51	22.40	22.40	9.54	10.07
2016	5.25	3.99	88	37	51,603	0.30	7.51	7.51	10.07	10.80
2015	-0.63	-1.81	80	38	51,155	0.37	1.38	-0.87	10.05	10.47
2014	10.40	9.06	89	41	47,540	0.40	13.69	4.94	9.31	8.97
2013	30.51	28.94	96	43	45,638	0.48	32.39	26.68	12.38	12.11
2012	11.28	9.88	105	37	4,422	0.40	16.00	15.83	14.59	15.30

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 01/01/01 to 12/31/20. 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. 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.

Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.

Notes:

1. Sterling Capital Management LLC (SCM) is a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training. Sterling manages a variety of equity, fixed income and balanced assets. Prior to January 2001, Sterling was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, Sterling Capital Management LLC 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 purchased a majority equity ownership stake in Sterling Capital Management LLC. In October 2010, the management group of Sterling Capital entered into an agreement with BB&T Corporation that reduced and restructured management's interest in Sterling Capital Management. Additionally, BB&T Asset Management merged into Sterling Capital Management. In January 2013, CHOICE Asset Management firm merged into Sterling Capital Management. "Percent of Firm Assets" and "Total Firm Assets" prior to 2013 are for CHOICE Asset Management. In August 2015, eight new employees joined Sterling Capital management via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T Corporation and SunTrust Banks, Inc. Holding Company merged as equals to form Truist Financial Corporation. Sterling Capital Management LLC is a wholly owned subsidiary of Truist Financial Corporation. In August 2020, new employees joined Sterling Capital Management via the Investment Advisory Group of SunTrust Advisory Services. This reorganization aligns all of the discretionary fixed income asset management activities within Truist under Sterling.
2. Inception date of composite: December 31, 2000. Creation date: December 31, 2000. Effective 1/1/2016, the composite was renamed from "Leaders" to "Global Leaders." The appropriate benchmark index is the S&P 500 from inception to 12/31/2015 and the MSCI World Net index from 1/1/2016 forward. The MSCI World Index is a broad global equity benchmark that is rebalanced quarterly, and represents large and mid-cap equity performance across 23 developed markets countries. The MSCI World index covers approximately 85% of the free float-adjusted market capitalization in each country, and does not offer exposure to emerging markets. The S&P 500 is an unmanaged, weighted index of 500 stocks providing a broad indicator of price movements. Total return includes price appreciation/depreciation and income as a percent of the original investment. 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.
3. 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. Beginning July 1, 2020, portfolio performance is calculated daily including cash flows. Daily calculations are geometrically linked to create time weighted returns. Composite returns are asset weighted using the beginning market value and time weighted return of the portfolios. Prior to July 1, 2020, portfolio returns were calculated using the Modified Dietz Method and revalued for cash flows greater than 10%. Composite returns are calculated by weighting the individual portfolio returns using beginning of period market value plus weighted cash flows.
4. "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Effective January 1, 2021, the net of fee return reflects the maximum bundled external platform fee of 2.52%. Prior to January 1, 2021, the net of fee return reflects the actual SMA fee of the individual account. 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 Sterling's actual management fee of 0.27%. Sterling's actual management fees are 27 basis points annually. Since inception, the composite is comprised 100% of wrap fee portfolios.
5. 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 for annual periods prior to 2011 or when a full three years of composite performance is not yet available.
7. The performance presented represents past performance and is no guarantee of future results. Stock market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions.