

Real Estate SMA Commentary

3rd Quarter 2025

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)	0.87%	3.36%	-3.35%	9.72%	7.37%	7.66%
Sterling (Net)	0.13%	1.09%	-6.18%	6.54%	4.25%	4.54%
Bloomberg U.S. 3000 REIT Index	2.60%	4.48%	-4.01%	8.35%	6.93%	6.80%

Portfolio Commentary

- The portfolio posted a total return of 0.13% (net of fees) during the three-month period ended 09.30.2025. In the quarter, it underperformed the Bloomberg U.S. 3000 REIT Index by 247 bps.
- **Absolute Performance Drivers:** The Real Estate Investment Trust (REIT) sector worked through an eventful quarter of news flow, ending on a positive note with reduced interest rates. Within our portfolio, Health Care, Industrial, and Office were the top-performing subsectors. Telecom Towers, Residential Single-Family, and Residential Multi-Family were laggards.
- **Relative Performance Drivers:** Quarterly underperformance versus the Bloomberg U.S. 3000 REIT Index was driven primarily by negative stock selection within the Hotel & Resort, Retail, and Residential Multifamily subsectors. Positive stock selection within, and an overweight allocation to the Industrial subsector, as well as underweight allocations to the Other Specialized and Telecom Towers subsectors served as partial offsets.

bps= basis points. Inception date is 01.01.2002. Data is as of 09.30.2025. 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	
Welltower Inc.	8.94%
American Tower Corporation	8.14%
Digital Realty Trust, Inc.	7.59%
Prologis, Inc.	5.27%
Ventas, Inc.	4.77%
Equinix, Inc.	4.42%
VICI Properties Inc	3.83%
UDR, Inc.	3.75%
Extra Space Storage Inc.	3.52%
Essex Property Trust, Inc.	3.29%

Contributors and Detractors

Primary relative contributors to quarterly performance were:

- Positive stock selection within the Industrial subsector, driven by portfolio holding Rexford Industrial.
- Positive stock selection within, and an underweight allocation to the Other Specialized subsector.
- An underweight allocation to the Telecom Tower subsector.

Primary relative detractors from quarterly performance were:

- Negative stock selection within the Hotel & Resort subsector driven by portfolio holding Ryman Hospitality.
- Negative stock selection within, and an overweight allocation to the Multi-Family Residential subsector.
- Negative stock selection within, and underweight allocation to the Retail subsector.

¹As a percentage of total net assets. Data is as of 09.30.2025. Attribution data is as of 06.30.2025. 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 posted a 2.60% gain in 3Q25, weathering what was another volatile period of news flow. The quarter was book-ended by the passage of a tax reform bill in early July and the first reduction in the fed funds rate in late September, with earnings season in between. The largest singular market-moving event for real estate was Fed Chair Jerome Powell's speech at Jackson Hole on August 22. During his speech, Powell indicated that the Fed was likely to lower interest rates at their September meeting. Over the ensuing six weeks, REITs delivered the bulk of their gains for the quarter while the 10-yr U.S. Treasury yield fell 18 bps to end the quarter at 4.15%.
- Health Care was the top-performing subsector in the quarter as senior housing, skilled nursing, and medical office-focused REITs were all bought amidst a broad health care stock recovery that stretched beyond real estate.
- Retail also relatively outperformed with Mall REITs leading the pack on strong leasing fundamentals.
- Telecom Tower was the worst-performing subsector in the quarter as EchoStar sold significant portions of its spectrum, signaling an exit from the wireless market. With one fewer potential tenant for Towers, the subsector's outyear growth expectations fell.
- Residential, both Multi-Family and Single-Family, was also a poor performer as a slow spring/summer leasing season dimmed hopes for a 2026 revenue recovery.

Summary and Outlook

- The conclusion of a Fed interest rate hiking campaign has historically marked the beginning of strong returns for REITs. With the Fed "dot plot" now signaling a clear easing cycle, we remain hopeful that REIT stock prices will respond favorably.
- 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 could portend higher rents and occupancies in coming years, boosting REIT cash flows.
- The current presidential administration's combination of tariffs on imported goods and tax breaks for manufacturing construction may successfully drive corporate capital expenditures higher. The economic multiplier of these activities would likely power the U.S. economy to improved growth in our view.
- We maintain an overweight exposure to Data Centers, where we believe a multi-year demand cycle will persist. Our portfolio is also overweight Industrial. We look for a recovery in demand for warehouse space if the government's policies result in the construction of U.S. manufacturing facilities.
- 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.

S&P 500® Index, or simply the S&P, is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices, and many consider it to be one of the best representations of the U.S. stock market.

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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)
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	\$51,603
2015	2.70%	-0.29%	3.17%	13.72%	13.65%	Not Calculable	1	\$96	\$2,984

Benchmark: Bloomberg U.S. 3000 REIT Index

Composite Creation Date: 09.26.2023

Inception Date: 01.01.2002

- Consists of all discretionary separately managed real estate portfolios managed in the REIT 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 are, but not limited to, the following: Market Risk, Management Risk, Market Disruption and Geopolitical Risk, Company Specific Risk, Equity Securities Risk. For a full list of strategy risks, please reference Sterling Capital Management's Form ADV, Part 2A.
- Sterling Capital Management LLC (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 to 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 SunTrustBanks, 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.
- The performance presented represents past performance and is no guarantee of future results. Market and economic conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.
- A complete list of all of SCM's composites and SCM's broad distribution pooled funds and their descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Composite Reports are available upon request.
- Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. Valuations and performance are reported in U.S. dollars. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts. Effective 1/1/22, composite returns are calculated by weighting the individual portfolio returns using beginning of period market values. From 8/1/15 to 1/1/22, composite returns were asset weighted using the average capital base method that reflects both beginning market value and cash flows and uses the aggregate method. Prior to 8/1/15 composite returns were calculated by weighting the individual portfolio returns using beginning of period market values. Performance results prior to August 1, 2015 are considered "predecessor performance" and were achieved by the Relative Value Team when they were part of the Stratton Management Company.
- Gross of fees returns are presented before management fees but after all trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the gross composite return. Since inception, the composite contains only 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 three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36-month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented when a full three years of composite performance is not yet available.