Focus Equity SMA Commentary

4th Quarter 2024

Quarterly Review

Performance	QTR	YTD	1YR	3YR	5YR	Since Inception[1]
Sterling (Gross)	4.10%	7.64%	7.64%	0.93%	10.30%	15.11%
Sterling (Net)	3.34%	4.51%	4.51%	-2.03%	7.09%	11.78%
Russell 1000® Growth Index	7.07%	33.36%	33.36%	10.47%	18.96%	18.08%

Performance and Market Update

For the second consecutive quarter, Focus Equity continued to rise, gaining +4.10% gross and +3.34% net of fees in 4Q24. Widening the aperture to the full year, Focus Equity's strength in the second half of 2024 pushed annual returns up +7.64% gross and +4.51 net of fees. Zooming out further to consider all nine years since Focus Equity's inception, the strategy has compounded returns at 15.11% gross and 11.78% net of fees. As discussed in the *4Q24 Attribution* section, software holdings led the gainers for the quarter, boosted by the strong fundamental results we believe these companies continue to print. Holdings in healthcare, real estate, and semiconductor equipment lagged, though we generally observe short-term fog temporarily clouding these companies' otherwise bright outlooks for long-term growth. Demonstrating our confidence here, we took action to bolster portfolio exposures where we viewed prices presenting tactical opportunities.

The U.S. 4Q24 market returns showed flattish gains in October and December, bookended by stronger returns in November, fueled by clarity of the U.S. election result.[2] Though the Federal Reserve (Fed) cut another -25 basis points (bps) at its December policy rate meeting, a sobering dot plot update of forward rate expectations slashed consensus views of additional 2025 cuts to two (down from four), throwing cold water on the rising market and sparking the largest Fed decision day tumble since 2001.[3,4,5] The Russell 1000® Growth Index (R1000G) rose +7.07% in Q4 and +33.36% in 2024. Mega-cap companies continued to dominate benchmark attribution, with the largest "Fateful Eight" R1000G companies generating about 75% of index performance in 2024, which intensified to about *88%* of returns in Q4.[6,7]

[1]Inception date is 12.31.2015. Data is as of 12.31.2024. The benchmark is the Russell 1000 Growth. Effective 06.30.2023, 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.

[2]CBS News.

[3]Yahoo! Finance.

[4]CNBC.

[5]Yahoo! Finance.

[6]AOL. The "Fateful Eight" refers to a group of high-performing U.S. stocks in the S&P 500 Index comprised of Alphabet, Amazon, Apple, Broadcom, Meta Platforms, Microsoft, NVIDIA, and Tesla.

[7]Bloomberg L.P.

Looking outside the U.S., major international indices mostly fell, with only Japan, Canada, Germany, and China posting gains of low single digits.[8] Sustained U.S. market strength, despite weaker conditions elsewhere, pushed its valuation premium versus Europe to its widest level in over 30 years.[9] Pulling these threads together to tie back to Focus Equity, we believe the valuation premium for concentrated mega cap names in the U.S. increasingly creates attractive risk/reward opportunity outside these areas where we continue to source holdings, including **Adyen**, **ASML**, **CoStar**, **IDEXX**, **Shopify**, and **Tokyo Electron**, among others.

4Q24 Attribution

Leading Contributors	Portfolio Weight	Gross Contribution to Return	Net Contribution to Return
Atlassian Corp Class A	4.64	2.15	2.12
Shopify, Inc. Class A	5.47	1.86	1.81
HubSpot, Inc.	4.20	1.19	1.15
ServiceNow, Inc.	4.75	0.92	0.88
Amazon.com, Inc.	5.37	0.85	0.81

Sources: FactSet; Sterling Capital Management Analytics.

Atlassian delivered strong results with cloud revenue growing +31% year-over-year (YoY), their largest revenue outperformance in six quarters. Paid seat expansion stabilized for the second consecutive quarter and cloud net revenue retention (NRR) remained >120%.[10] The company raised full-year cloud growth guidance to +24%.[11] Key growth drivers included strong enterprise traction with large customers, stabilization in the small and midsize business (SMB) segment, cross-selling of products like Jira Service Management, and adoption of artificial intelligence (AI) capabilities. Their operating margin of 23% also led to increased profit guidance. Finally, the company announced the addition of new Chief Revenue Officer Brian Duffy, who joins after spending 18 years at SAP, where he was most recently President of Cloud.[12]

Shopify reported strong results, growing revenue +26% YoY and gross merchandise value (GMV) +24% to $69.7B.[13] Key growth drivers included international expansion (particularly in Europe), business-to-business (B2B) commerce (+145% YoY), and increased Shop Pay adoption.[14] Operating income more than doubled, with the margin expanding to 13.1%. Free cash flow (FCF) achieved a 19.5% margin. Shopify continued to gain enterprise traction, onboarding 16 new merchants including Reebok and Victoria's Secret. Looking ahead, Q4 guidance calls for mid-20% revenue growth and FCF margins around 21%. On a public earnings call, company management continued to emphasize their strategy of building a unified commerce platform while maintaining cost discipline.

[8,9] Strategas.
[10] Atlassian Shareholder Letter.
[11] Atlassian Earnings Call.
[12] Market Screener.
[13] Shopify Press Release.
[14] Shopify Earnings Call.

Please refer to the Performance Disclosure found on page 10.

HubSpot grew revenue +20% YoY while maintaining healthy customer growth with 10,100 net new additions.[15] Despite choppy macro conditions, NRR remained stable at 102%. Multi-hub adoption continues to strengthen, with >40% of the installed base using all three core hubs (Marketing, Sales, Service).[16] AI engagement, especially on HubSpot's new Breeze platform, appears to show early promise with 50% of Pro customers using AI features.[17] For Q4, HubSpot guided revenue to +16% growth and raised its outlook. Though macro challenges remain, we also see positive momentum from the company's new pricing model and strategic initiatives, particularly in platform consolidation and AI capabilities.

We viewed **ServiceNow's** results as strong, printing subscription revenue growth of +22.5% YoY.[18] The company saw robust adoption of its AI capabilities as 44 customers spent over $1MM on Now Assist generative AI, and six of those spent over $5MM.[19] Now Assist has emerged as the company's fastest-growing product launch ever, with Pro Plus maintaining +30% price uplift versus standard offerings. Current remaining performance obligations (RPOs) grew +23.5% YoY.[20] We were encouraged to hear company management express cautious optimism at a public conference about 2025 information technology spending based on improved customer sentiment post-election. The company's federal business remained strong despite concerns stemming from the Department of Justice's investigation of longtime deployment partner Carahsoft.[21] Finally, the company also announced Amit Zavery as its new Chief Product Officer and Chief Operating Officer.

Amazon's revenue grew +11% YoY, operating income increased +56%, and the operating margin reached 11%, its highest ever.[22] Amazon Web Services (AWS) revenue grew +19% with improved 38% operating margins. The retail business showed resilience despite consumer caution on discretionary spending, with unit growth accelerating to +12%, driven by everyday essentials. International profitability improved significantly, with operating margins reaching 3.6%.[23] Amazon guided both revenue and operating income towards continued strong growth while investing heavily in AI capabilities. AWS generative AI revenue has already achieved a multi-billion dollar run rate at a triple-digit YoY growth rate, or more than three times faster at this stage of its evolution, as AWS itself grew.[24]

[15]HubSpot News Release.
[16]HubSpot Earnings Call.
[17]HubSpot Investor Presentation.
[18]ServiceNow Financial Results.
[19]ServiceNow Earnings Call.
[20]ServiceNow Investor Presentation.
[21]Investing.com.
[22]Amazon News Release.
[23]Amazon Conference Call.
[24]Amazon Earnings Call.

Please refer to the Performance Disclosure found on page 10.

Focus Equity SMA Commentary

4th Quarter 2024

Leading Detractors	Portfolio Weight	Gross Contribution to Return	Net Contribution to Return
IDEXX Laboratories, Inc.	5.41	-1.18	-1.22
Adyen N.V. Unsponsored ADR	11.31	-0.77	-0.85
ASML Holding NV ADR	2.94	-0.57	-0.59
Tokyo Electron Ltd Unsponsored ADR	2.95	-0.47	-0.49
S&P Global, Inc.	8.37	-0.31	-0.37

Sources: FactSet; Sterling Capital Management Analytics.

IDEXX grew sales +7% YoY and adjusted earnings per share (EPS) +12%.[25] Core Companion Animal Diagnostics recurring revenue grew +6.7%. Results were impacted by persistent weakness in veterinary visits, which declined -2.3%, with wellness visits down -3.4%.[26] Despite the company's lowered 2024 guidance stemming from continued soft vet visit trends, we view intact long-term growth drivers, including a growing (and aging) pet population, an expanding software product ecosystem, and the launch of its new InVue diagnostics platform. IDEXX also more than tripled its repurchase authorization, continuing the company's aggressive return to shareholders of its robust FCF.[27]

We think **Adyen** continues to gain market share, with net revenue growth of +21% YoY outpacing the market.[28] Processed volumes grew +32%, exhibiting strong take rate improvement (15.5 bps). Payment volume was driven by gains across all three business pillars: Digital volumes grew +29%, Unified Commerce was up +33%, and Platforms remained the fastest-growing segment, rising +44%.[29] The company now has 25 platforms processing over €1 billion annually, up from 17 YoY. Company management reiterated full-year guidance on a public earnings call, conservatively expecting net revenue growth at the low end of their 2024 target range. Adyen management also emphasized its focus on driving value through product innovation and highlighted success with initiatives like intelligent payment routing, which delivered -26% cost reductions and improved authorization rates.[30]

Although **ASML's** management maintained the 2030 revenue target of €44-60B, the company reduced near-term expectations.[31] China revenue is now expected to normalize from current levels of about 50% back to historical levels of about 20%.[32] After participating in ASML's earnings announcement and Capital Market Day (CMD) events, we believe current customer delays in advanced logic will likely not derail strong opportunities in AI-driven demand, particularly for extreme ultra-violet (EUV) lithography in both logic and memory segments. Instead, despite normal cyclical fits and starts, we see spending from foundry customers driving continued gains in lithography process intensity (boosting demand for ASML products) as Moore's Law grinds semiconductor nodes smaller.[33] Company management maintained their 2030 gross margin target of 56-60%, driven by +15-25% annual growth in EUV spending, in part tied to high bandwidth memory demand for AI applications.

[25]IDEXX Earnings Release.
[26]IDEXX Earnings Snapshot.
[27]IDEXX News Release.
[28,29]Adyen Business Update.
[30]Adyen Press Release.
[31]ASML Investor Day Webcast.
[32]ASML Financial Results.
[33]Intel Newsroom.
Please refer to the Performance Disclosure found on page 10.

Tokyo Electron reported strong results, growing operating profit +54% YoY and raising full-year guidance, now expecting +31% YoY sales and +49% operating profit.[34] China sales declined sequentially to 41% of revenue, but profitability remained robust due to improved product mix.[35] The company maintained its outlook for double-digit wafer fab equipment (WFE) market growth in 2025, driven by memory investment and AI-related demand.[36] Company management expects China's share of the WFE market to decline to around 30% in 2025 and announced a new ¥70B share buyback program, its first flexible repurchase announcement in several years. We view Tokyo Electron's overall business as strong, including updated progress on new cryo-etching product development, with mass production expected in 2026.[37]

S&P Global reported strong revenue growth of +16% y/y.[38] Ratings revenue increased +36%, driven by strong issuance activity, while Indices revenue grew +18% on higher asset-based fees.[39] However, Market Intelligence grew more slowly with Desktop growth of just +1% excluding acquisitions, reflecting challenging financial services market conditions and pricing pressure. Ratings benefited from strong re-financing activity while the commodities business saw +9% growth, driven by price assessments and energy data services. The company raised its full-year 2024 guidance, now expecting +11.5-12.5% revenue with adjusted margin expansion of 200-250 bps despite increased incentive compensation costs.[40] Company management also highlighted continued investments in AI capabilities in a public earnings report presentation. This quarter marked CEO Doug Peterson's last earnings call before transitioning leadership to Martina Cheung.

Portfolio Changes and Diligence Updates

During Q4, Focus Equity exited its longstanding position in **Okta** (OKTA), recycling sale proceeds into **ASML** (ASML) and **Tokyo Electron** (TOELY) where, in our view, short-term volatility created attractive tactical entry for risk/reward balance.

In recent quarters, Okta faced several interrelated challenges, which hampered its growth trajectory.[41] At the core are macro headwinds stemming from the COVID-19 era, when customers over-purchased seats but are now rightsizing their contracts during renewals to match current economic realities. This adjustment period is expected to continue through next year. Compounding this issue was last year's security breach, which required substantial investment in infrastructure hardening. This necessary pivot diverted research and development resources away from customer-facing product innovation, impacting the company's growth initiatives. While we believe that Okta has expanded its product portfolio into promising areas, adoption of these new offerings has been slower than anticipated, with Identity Governance and Administration (IGA) reaching only about 5% of the customer base and Privileged Access Management (PAM) still in its early stages.[42]

[34,35] TEL Financial Results.
[36] TEL Financial Announcement.
[37] TEL Earnings Briefing.
[38] S&P Global Press Release.
[39] S&P Global Earnings Call.
[40] S&P Global Supplemental Disclosure.
[41] Okta Earnings Call.
[42] Okta Product Innovation Document.

Please refer to the Performance Disclosure found on page 10.

Furthermore, despite having 40% penetration in Global 2000 companies, most of these relationships represent partial deployments rather than comprehensive enterprise-wide implementations, with upselling proving to be a longer process than company management expected. Finally, Okta faces ongoing competitive pressure from Microsoft which we feel offers "good enough" identity solutions as part of broader platforms, making it challenging to justify standalone identity investments.[43] These factors combined to reduce our view of Okta's medium-term performance potential while we had already identified more attractive alternatives for the portfolio allocation.

We also kept a busy due diligence calendar featuring a variety of management, customer, and industry meetings that in our view, yielded helpful incremental insights to inform our portfolio investment theses.

We met with **Adyen** management, clarifying our views of the company's most attractive growth and profit opportunities. Although Europe, the Middle East, and Africa is Adyen's most mature market with 60% of revenue, it remains their fastest-growing region with significant Unified Commerce opportunities, since in-store payments are still dominated by banks and legacy players.[44] In Platforms, Adyen sees about a $185B embedded finance opportunity targeting SMBs, according to their public investor presentation. Geographic expansion appears to show promise across regions: North America may benefit from rising payments complexity and smart debit routing capabilities; Asia Pacific presents opportunities in India and Japan as regulation changes; and Latin America offers growth potential in Brazil and Mexico. We also may have visibility to future growth through Adyen's approach to enterprise account growth, featuring consistent customer volume ramp-ups. Finally, we believe sales pipeline color suggests positive results from recent headcount investments.

We also participated in **ASML's** CMD and feel the company is positioned for FCF growth driven by several key opportunities.[45] First, ASML's core EUV technology is seeing increasing adoption in dynamic random-access memory (DRAM) manufacturing, where spending is projected to grow annually +15-25% over the next five years. We believe AI is accelerating this growth and is driving increased investment for advanced logic and DRAM, which are both areas where ASML's technology is critical. The datacenter/server market's expected 18%+ compound annual growth rate (CAGR) is particularly significant, in our view, as these applications require the most advanced chips that rely on ASML's lithography tools. Second, we also see ASML's clear paths to margin expansion, targeting 400 bps improvement from EUV, 100 bps from scaling non-EUV products, and another 100 bps from enhanced services pricing. We see 2030 financial targets as ambitious but achievable, with revenue projected to grow to €44-60B while maintaining healthy gross margins of 56-60%. We think this could drive earnings as high as €40-65 per share. Technologically, ASML continues to innovate, with their EUV roadmap showing potential to exceed 450 wafers per hour, and reduce costs by 20-35% for critical manufacturing layers through advances in optics and illumination systems.

[43] Mobile Jon's Blog.
[44] Adyen Business Update.
[45] ASML Investor Day Webcast.

Finally, we met **Synopsys** management to refine our thinking on near- and long-term opportunities. These growth vectors include high performance computer chip design activity, particularly from cloud hyperscalers who are actively deploying custom application-specific integrated circuits (ASIC) solutions and pulling significant intellectual property (IP) from Synopsys.[46] Amid slowing scale benefits from Moore's Law, electronic design automation (EDA) software tools are driving more chip performance gains, enabling greater value capture. We think company management has published conservative guidance. This may enable potential performance upside, especially since AI could expand the company's revenue growth CAGR by +200 bps annually. Synopsys may also benefit from customers progressing up the technology stack with custom silicon and systems-level programs, potentially increasing revenue opportunities.

Outlook

The S&P 500® Index set 57 new record highs in 2024 and finished its best consecutive two-year performance since 1997/98, which we think stoked speculative short-term investor sentiment.[47] The performance of bitcoin, which more than doubled during 2024 and serves as an oft-cited barometer of animal spirits , helped inform our view.[48,49] Long-term Treasury yields, however, took a more level-headed stance. Making moves that may seem paradoxical given the Fed’s policy rate cuts, yields on bonds and 30-year mortgages both trended in the opposite direction - up.[50] We see some of the same factors that have fueled a post-election equity rally - enthusiasm for new policies of tax cuts, deregulation, stimulative government spending, and tariffs - becoming cause for concern for bond yields as potential policy shifts could increase the federal deficit, and with it, inflation.[51] Notwithstanding these market cross-currents, our diligence of the Focus Equity portfolio’s company management team growth playbooks gives us confidence, since they generally incorporate sober assumptions of continued macro choppiness versus positive short-term inflections in conditions. Put simply, these company teams are likely continuing to grind out profit growth by controlling what they can and working within constraints of factors that they can’t, including macro. That said, we acknowledge that some macro conditions are improving enough to boost a wider swath of market participants, with potential benefits for Focus Equity portfolio companies. We see a brightening, albeit cautiously optimistic, outlook for the strategy.

[46]Synopsys Investor Day Presentation.
[47]The Wall Street Journal.
[48]Reuters.
[49]SSRN Bitcoin Sentiment Index and Stock Market Return.
[50]The New York Times.
[51]AP News.
This material references cryptocurrencies, including bitcoin. Such references are not a recommendation, an offer, nor a solicitation, to buy or sell Bitcoin or other cryptocurrencies.

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Zooming out, we retain cautious respect for near-term challenges, including ongoing conflicts in Ukraine, Israel, and Taiwan that keep geopolitical risks on front pages worldwide. We also acknowledge our country will again inaugurate a president with prior history of inducing market volatility.[52] Yet, using our farsighted lens, we maintain abiding optimism as we believe Focus Equity remains well-positioned for the long term. One proof statement informing our view is Russell index performance data for the past decade which shows Large Growth compounding annually at a mid-teens rate, approximately *twice as fast* as Large Value, Small Growth, and Small Value.[53] Large Growth, which displayed resilience through significant market drawdowns like 2022, outperformed *every* combination of size and style not only since that year's market peak but also since its low. Those figures help validate our view that, despite macro fog, Focus Equity is positioned within an attractive and durable market segment over the long term. Our journey continues.

We'll close with a reminder that we continue to value ownership mindsets. To that end, it's important to reemphasize that Focus Equity remains your portfolio manager's largest family investment. Put simply, we eat our own cooking and are strongly incentivized to continuously protect and grow your Focus Equity investment.

Just below the text of this letter, you will find Focus Equity's quarter-end position list. The strategy remains concentrated in 21 active positions with 38% of assets in the top five, 62% in the top ten, and 81% in the top 15 positions. We have relatively few eggs but watch our basket closely.

Thanks for your trust and investment in us.

Colin Ducharme

Colin Ducharme, CFA®
Portfolio Manager

[52]Reuters.
[53]J.P. Morgan Market Insights.

December 31, 2024 Positions[54]

Adyen	11.3%
S&P Global	8.2%
CoStar	6.4%
Microsoft	6.4%
IDEXX	6.3%
Amazon	5.8%
Alphabet	5.1%
Hubspot	4.4%
ServiceNow	4.3%
Atlassian	4.1%
Shopify	4.0%
Workday	3.9%
Veeva	3.8%
MSCI	3.8%
ASML Holding	3.4%
Tokyo Electron	3.3%
Synopsys	3.2%
Cadence	3.2%
Saia	3.2%
Old Dominion	2.7%
MongoDB	2.2%
Cash	1.0%

Top 5 Total	38.6%
Top 10 Total	62.3%
Top 15 Total	81.2%
Top 20 Total	96.8%

[54]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 is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

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.

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: **The compound annual growth rate (CAGR)** is the rate of return (RoR) that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment’s life span. **Current Remaining Performance Obligation (cRPO)** is a SaaS metric that measures the portion of a company's RPO that is expected to be recognized as revenue within the next 12 months. RPO is the total of a company's future performance obligations, which includes deferred revenue and backlog. **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. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. Unlike earnings or net income, free cash flow is a measure of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in working capital from the balance sheet. **Gross merchandise value (GMV)** is the total value of goods and services sold over a set period of time. It’s a common metric used to measure the health of a business, particularly in e-commerce. **Moore's Law** is the observation that the number of transistors on an integrated circuit (IC) doubles every two years, while the cost of manufacturing a transistor drops by half. It's named after Gordon Moore, co-founder of Intel, who first described the observation in 1965. **Net revenue retention (NRR)** is a metric that measures how much revenue a business keeps from existing customers over a period of time. (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)
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® Growth Index   Composite Creation Date: 08.03.2018   Inception Date: 01.01.2016

1. 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.
2. Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sterling Capital Management LLC has been independently verified for the periods 01/01/2001 to 12/31/2022. 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.
3. Sterling Capital Management LLC (SCM) is a registered investment advisor with the U.S. Securities & Exchange Commission (SEC). Registration does not imply a certain level of skill or training. SCM manages a variety of equity, fixed income and multi-asset portfolios. Prior to January 2001, SCM was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, SCM purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee-owned firm. In April 2005, BB&T Corporation (BB&T) purchased a majority equity ownership stake in SCM. In October 2010, the management group of SCM entered into an agreement with BB&T that reduced and restructured management's interest in SCM. Additionally, BB&T Asset Management merged into SCM. In January 2013, CHOICE Asset Management merged into SCM. In August 2015, eight new employees joined SCM via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T and SunTrustBanks, Inc. Holding Company merged as equals to form Truist Financial Corporation. SCM was then a wholly-owned subsidiary of Truist Financial Corporation. In August 2020, eight new employees joined SCM via the Investment Advisory Group of SunTrust Advisory Services. In July 2024, Guardian Capital LLC, a wholly-owned subsidiary of Guardian Capital Group Limited (Guardian), completed the acquisition of SCM from Truist.
4. 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.
5. 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.
6. 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.
7. "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. As of 6/30/23, the composite model fee was updated to 3.00% annually for all periods presented. Prior to this change, the net of fees returns reflected the maximum bundled external platform fee of 2.52%. From 9/1/18 through 12/31/20, the net of fees returns reflect actual SMA fee of the individual account. Prior to 8/31/18, gross of fees returns reflect the deduction of trading costs. Net returns were calculated by subtracting the applicable SMA fee (2.57% on an annual basis or 0.21% per month) on a monthly basis from the gross return. 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 Sterling's actual management fee of 0.27%. Sterling's actual management fees are 27 basis points annually. From 12/31/15 to 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.
8. 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.
9. Effective 3/31/20, the appropriate benchmark was changed retroactively to inception from the Russell 3000® Index to the Russell 1000® Growth Index. 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 index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of original investment.
10. 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.