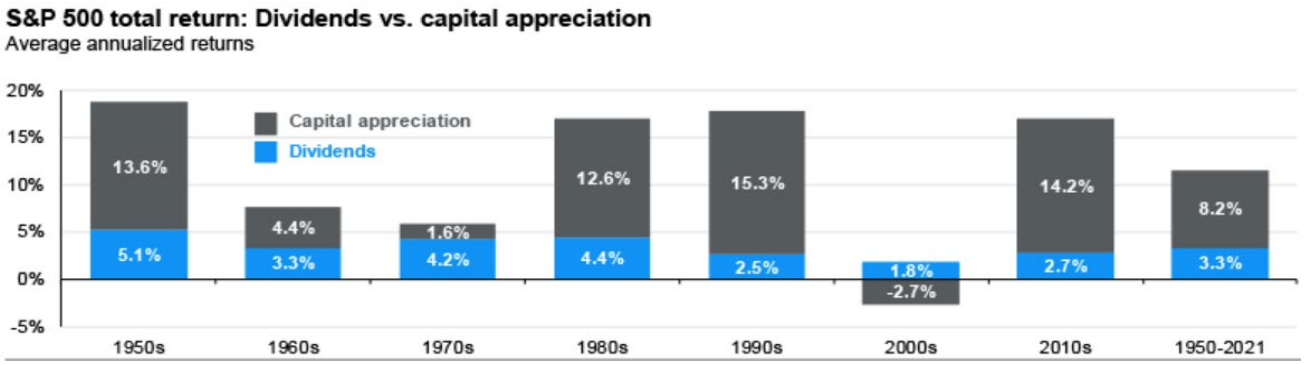
Equity Income SMA Commentary

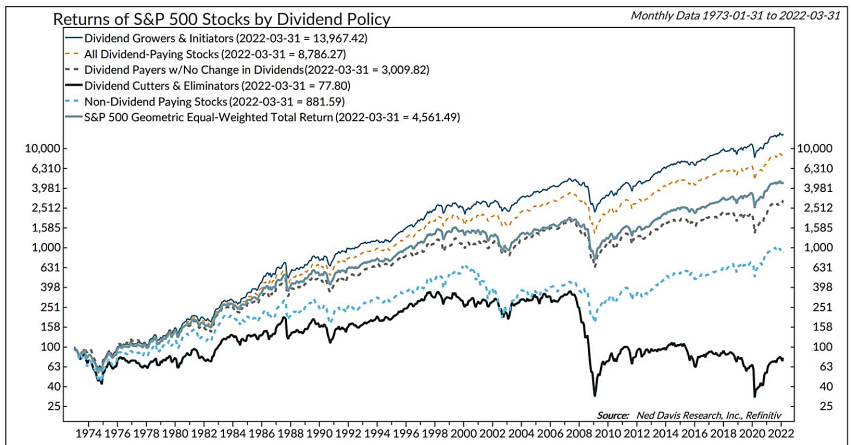
3rd Quarter 2022

Dividends matter – that's the simple philosophy underlying the Sterling Capital Equity Income portfolio. From 1950-2021, the S&P 500® Index appreciated (price only) at a 8.2% compound rate, while total return (including reinvested dividends) was 11.5% per year. If that 3.3% per-year difference sounds trivial, consider the beauty of compounding over those 71 years. An $100 investment at 12.31.1950 would have grown to $26,924 from price appreciation alone, but to $227,256 assuming reinvestment of all cash flows. Reinvested dividends provided nearly 29% of the stock market's total return over time.



Source: J.P. Morgan Asset Management

To maximize our perceived odds of investment success, we go two steps further in selecting companies for our portfolio. First, we consider only those stocks whose prevailing dividend yield is above that offered by the S&P 500, and second, we demand that dividends have grown for at least three consecutive years or in six of the last ten years. As Ned Davis Research shows below, stocks that are able to increase payouts over time outperform the overall stock market as well as the no-dividend stocks which often garner the most attention. Once again, the difference is meaningful: dividend growers offered a 10.6% compound return over the last ~48 years, compared to 8.1% for equally-weighted members of the S&P 500, 4.5% for no-yield constituents, and a woeful -0.5% for companies that cut their dividends.



Returns Based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

Portfolio Performance Statistics Analysis Dates: 1973-01-31 - 2022-03-31		
Portfolio	Gain/Annum %	Growth of $100
Dividend Growers & Initiators	10.6	13967.4
All Dividend-Paying Stocks	9.5	8786.3
Dividend Payers w/No Change in Dividends	7.2	3009.8
Dividend Cutters & Eliminators	-0.5	77.8
Non-Dividend Paying Stocks	4.5	881.6
S&P 500 Geometric Equal-Weighted Total Return	8.1	4561.5

S09

Source: Ned Davis Research.

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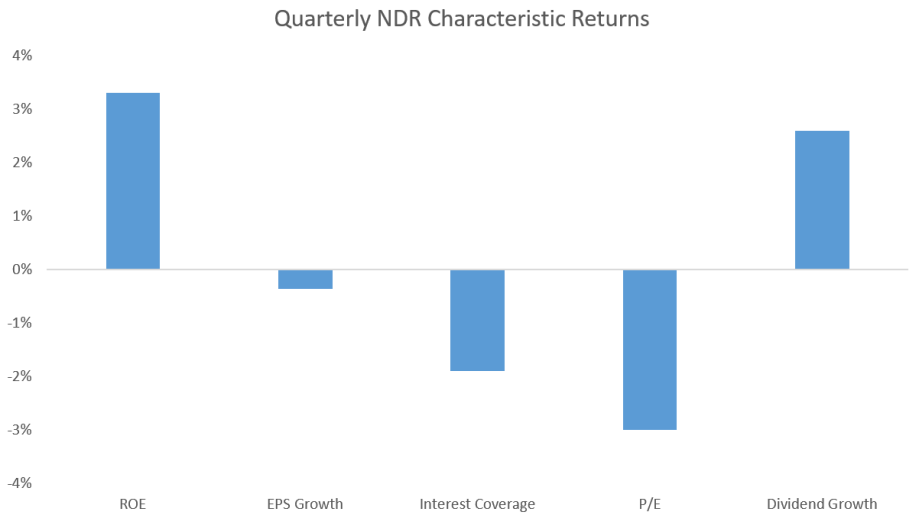
Performance[1]	QTR	YTD	1YR	3YR	5YR	10YR	Since Inception[2]
Sterling (Gross)	-5.12%	-13.52%	-4.85%	8.30%	9.73%	10.40%	9.69%
Sterling (Net)	-5.80%	-15.36%	-7.51%	5.98%	7.77%	8.59%	7.98%
Russell 1000® Value Index	-5.62%	-17.75 %	-11.36%	4.36%	5.29%	9.17%	6.40%

For the quarter, the Equity Income strategy returned -5.1% on a gross basis and -5.8% on a net of fee basis calculated using the highest applicable annual bundled fee relative to the -5.6% return for the Russell 1000® Value Index. For the year, Equity Income returned -13.5% gross and -15.4% net versus the -17.8% return for the benchmark. Similar to the first quarter of this year, stock selection, notably in consumer discretionary, was able to offset the stylistic headwinds for our four investment pillars this quarter, as value was particularly out of favor, according to Ned Davis Research and as seen in the chart below. On a fundamental basis, the sustainability and resiliency of our holdings' business models contributed to performance this quarter. Three of our top contributors, highlighted later, raised their revenue guidance this quarter in contrast to companies in our benchmark that saw sales forecasts for 2022 revised downward, on average. While equity markets have been challenged on an absolute basis this year, we believe the silver lining has been the Sterling Capital Equity Income strategy's protection of capital on a relative basis and demonstration of downside capture consistent with its 20+ year track record.



Source: Ned Davis Research. Data are as of 09.30.2022.

[1]Effective 1.1.21 the maximum bundled external platform fee is 2.82%. 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 Russell 1000® Value. 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: Russell Investments; eVestment Alliance; Sterling Capital Management Analytics.

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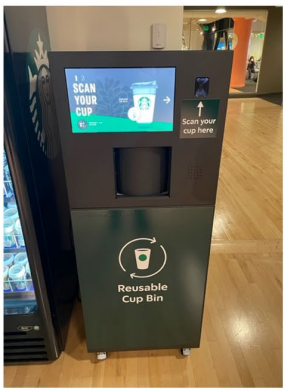
In the current market environment, we believe it is important to know what we own. As portfolio managers, we seek to align the portfolio to take advantage of the long-term benefits of the four pillar investment characteristics, but we also seek to populate the portfolio with a select number of holdings that we believe represent the best opportunities for the strategy to perform. The power of a high-conviction strategy is the ability to own a select number of high-quality opportunities. As part of this process, we visit company headquarters, meet management teams, and tour research and development departments as we did this quarter in Seattle with Starbucks. From left to right, the images below depict Starbucks' new Nestlé's Nespresso offerings, founder Howard Schultz describing his vision for the company, and the company's new device to recycle sustainable containers.



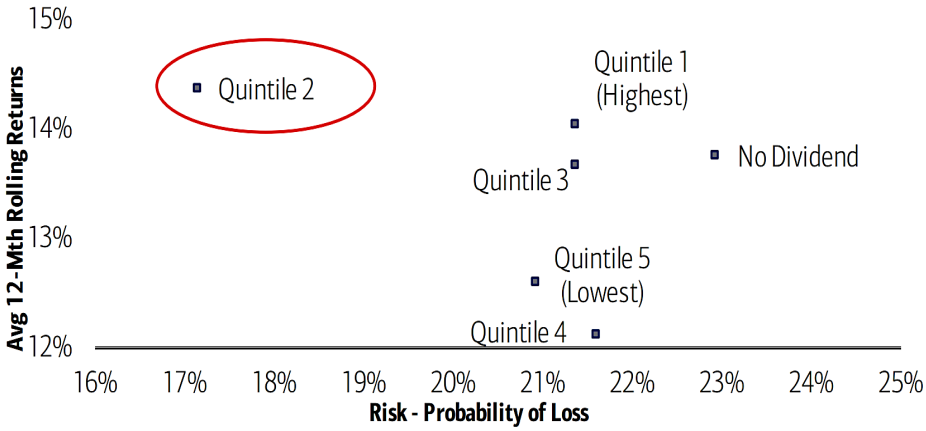
Sources: Sterling Capital; Starbucks.

On our visit, we were rewarded with news that the company would accelerate store growth, both domestically and internationally, as they boosted their earning guidance to 15-20% over the next three years versus the 10-12% prior estimate. As Howard Schultz noted, if one would be hard-pressed to find another company of this size with the same combination of dividend yield and earnings growth especially in this macroeconomic environment. International franchisees noted that the returns on their Starbucks stores were also higher than those of any other brands they operated. For clients, our Starbucks holding represents the type of stock we seek. The dividend is providing 'short duration' value right now in terms of current income that can be reinvested in higher near-term interest rate investments. In the intermediate term, the company projects 15-20% earnings per share growth over the next three years. Finally, with the investment in new stores in regions such as China, where the population drinks an average of 12 cups of coffee per year versus 388 in the U.S., there should be 'long duration' value creation embedded in the business model.

We have been asked in client meetings why, within our Equity Income strategy, we don't just own the highest yielding dividend-paying stocks rather than a combination of companies that not only have a dividend yield above 'the market' but are also growing. We don't disagree that maintaining an attractive dividend yield in the strategy can contribute to the total return equation for clients, but what is the right balance? Recently, BofA's Global Research team provided long-term data on the relative outperformance of Quintile 2 (20% increments) dividend-yielding stocks within the Russell 1000. Not only were their annualized returns the best over time relative to other levels of dividend yielders, but they also exhibited the best downside capture characteristics as well. We provided a chart of their analysis on the next page.

Average Annual Returns vs. Downside Risk of Russell 1000 Quintiles by Dividend Yield

1/31/84-05/31/22. Quintile 2 had significantly lower risk than the other quintiles, and the highest return

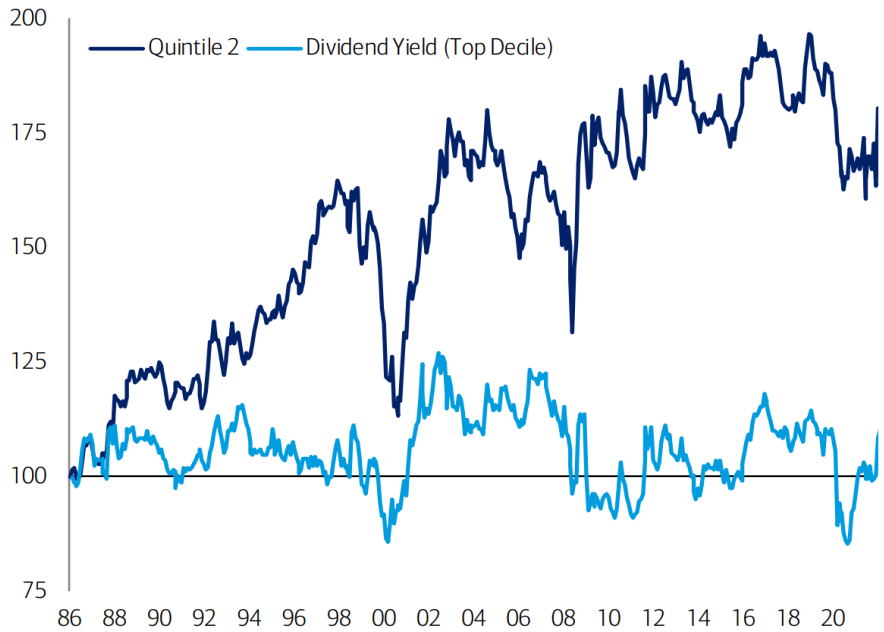


Source: BofA Global Research. Data are as of 05.31.2022.

BofA Global Research also looked at the long-term performance of stocks that pay slightly lower dividend yields (Quintile 2) relative to the top dividend-yielding stocks. Over time, 'the market' appears to reward companies that pay above-market and secure dividends, but not stretched dividend yields. We provide a chart of these dynamics below, with the dark blue line representing the above market and secure dividend payers.

High Dividend Yield Strategies Underperformed During Market Downturns; Secure Yield Outperformed Over the Long Run

Relative performance of Quintile 2 vs. the equal-weighted Russell 1000 Index and the Dividend Yield* factor vs. the equal-weighted S&P 500 Index (1/1986-3/2022)



Source: BofA Global Research. Data are as of 03.31.2022.

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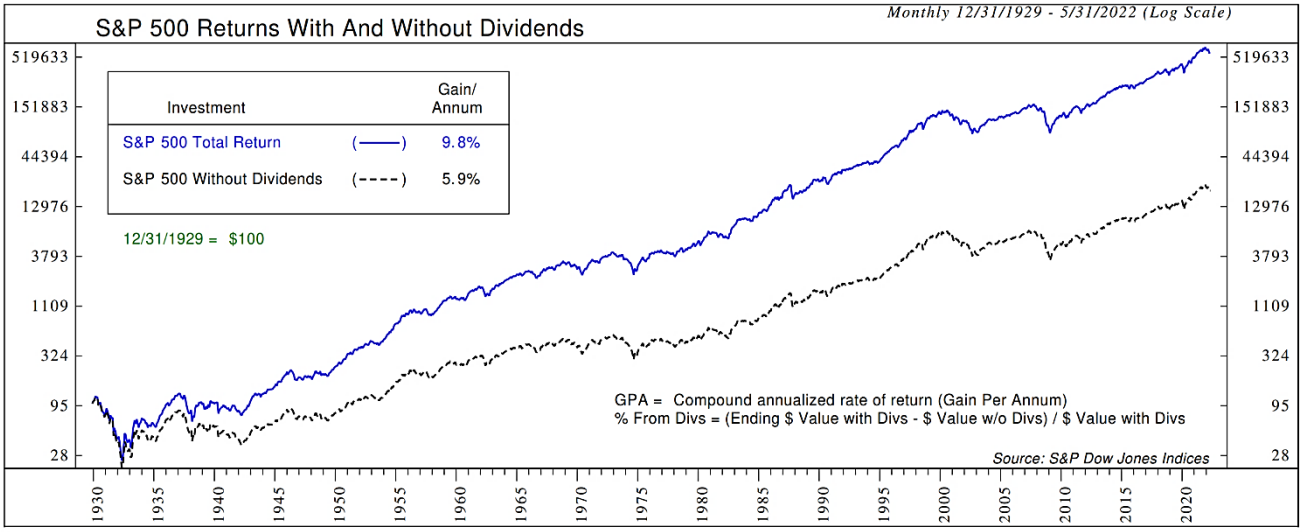
We recognize that dividend yield is an important component in our mission to deliver attractive client returns. We wrote about this dynamic in the winter of 2004, stating that "dividends (reinvested) contributed over 40% of the total return from equities over the 77 years ended December 2002, according to Ibbotson Associates, and the majority of total return in three of seven full decades." Nearly 18 years later, we are providing an update on the percentage of long-term total returns derived from dividends using the most recent Ned Davis Research data, and the ratio is similar. Clients may be interested to know that the most recent Equity Income portfolio yield is positioned firmly within BofA's Quintile 2, providing another positive data point that the strategy is well-positioned to deliver attractive total returns for our clients over time.



Source: Ned Davis Research. Data are as of 05.31.2022.

The combination of a stable dividend yield and dividend growth within our four pillars investment process is consistent with our investment process that has remained unchanged for over 20 years. This year, where the market has posted a negative return, the combination of these characteristics and our stock selection contributed to relative performance and protection of capital on the downside.

Quarterly Attribution

3Q22 Contributors and Detractors

Leading Contributors	Portfolio Weight	Return	Gross Contribution to Return	Net Contribution to Return[1]
Starbucks	4.28	10.92	0.40	0.37
Motorola	3.22	7.20	0.15	0.13
Corning	1.07	-7.18	0.13	0.12
CVS Health	3.64	3.53	0.09	0.06
Booz Allen Hamilton Cl-A	3.42	2.66	0.07	0.04

Leading Detractors	Portfolio Weight	Return	Gross Contribution to Return	Net Contribution to Return[1]
Fidelity National Information Services	3.80	-17.11	-0.60	-0.63
Tyson Foods Cl-A	2.37	-22.92	-0.56	-0.57
AbbVie	3.47	-11.55	-0.40	-0.43
United Parcel Service Cl-B	3.45	-10.85	-0.38	-0.40
Crown Castle International	2.72	-13.39	-0.35	-0.37

Sources: FactSet; Sterling Capital Analytics.

[1]Effective 1.1.21 the maximum bundled external platform fee is 2.82%. Actual fees may vary by size and type of portfolio. Please refer to the Performance Disclosure found on page 15.

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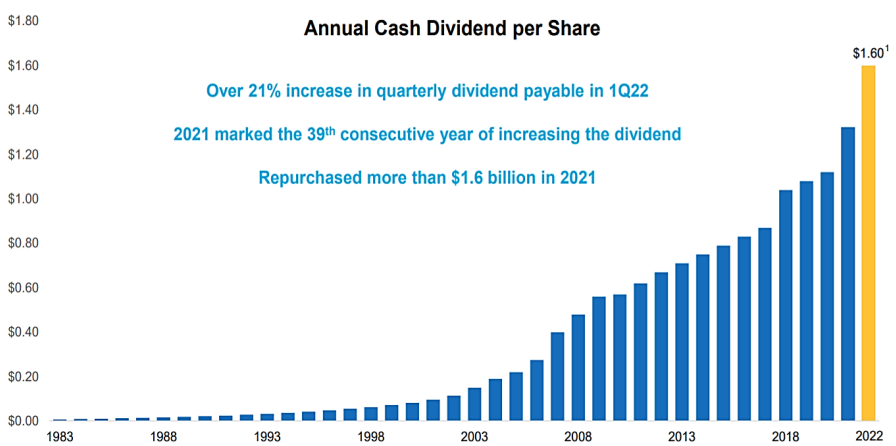
For the quarter, our best-performing stock was **Starbucks** (+11%), in reaction to the positive analyst day highlighted earlier. **Motorola Solutions** (+7%) was another company that raised guidance in the current challenging macroeconomic environment, as their well-funded municipal client base drove higher demand. **Corning** (-7%) contributed on a relative basis due to a timely trim of the position early in the quarter, and their optical business offset headwinds for their consumer glass business. **CVS** (+4%) made it three for three for our top contributors, raising earnings guidance after posting strong performance across all its healthcare segments. Finally, **Booz Allen Hamilton's** (+3%) impressive double-digit organic growth of 13% in the quarter buoyed its shares. In terms of detractors, **Fidelity National** (-17%) was impacted by higher rates raising the cost of its floating rate debt and lowering the potential amount of share buyback in 2023. We continue to believe the banking software and payments businesses that generate strong cash flows are attractive businesses to own at current levels. **Tyson Foods** (-23%) declined as their prepared foods business encountered logistics and operational headwinds fulfilling orders on the food services side. We spoke to the company this quarter, and new management has been assigned to address the challenges and get operations back on track. **AbbVie** (-12%) noted slower growth in its aesthetics franchise this quarter, but with its franchise drug, Skyrizi, making impressive market gains, we remain positive on the shares. **UPS** (-11%) sold off in sympathy with competitor FedEx's results, but we believe UPS has the potential to differentiate itself as a better operator and has invested in technology that we believe offers an advantage in the current environment. **Crown Castle** (-13%), like Fidelity National, was impacted by higher rates, which affected their variable rate obligations, modestly tempering the outlook for future cash flow growth.

Purchases

Aflac – What's special about AFL? First, AFL Japan has the #1 market share in cancer insurance in the world's largest insurance market, solidifying its position as a low-cost operator that can be leveraged with new products. Second, we believe there is an opportunity for further capital returns from $40-45 billion in unrealized morbidity gains in its Japan business. In addition, we feel AFL has an impressive capital return history with 39 years of increasing dividends, with the latest boost being over 20%. They have also reduced shares outstanding by 20% over the past five years. Moreover, there is likely an opportunity for earnings power to increase from digitization efforts, with the Japan post-COVID-19 sales engine contributing as their pandemic restrictions begin to ease.

Tactical Capital Deployment



[1]Annualized first quarter dividend. Source: Company Reports.

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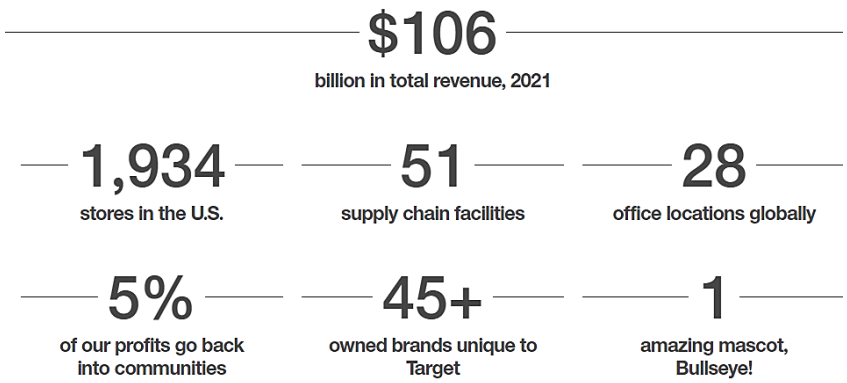
The opportunity for AFL is buying what we believe is a great company at a good price. Their management team has returned capital at a meaningful level, and they appear to have ample capital to return from their business in Japan. The capital return story generated earnings per share (EPS) growth, but the shares have lagged the earning growth in the intermediate term. In the near term, the shares look poised to benefit from higher interest rates for its investment portfolio, in our view. In the intermediate term, the investment to digitize the business should turn from a headwind for earnings to a tailwind. Finally, with meaningful excess capital, we have the potential to benefit from strong capital returns in the form of dividend growth and share repurchases, which over the long term should translate into a formula for a successful investment.

Target – TGT is one of the largest discount retailers in the U.S., operating roughly 1,900 stores across the country. The company sells merchandise in its signature categories: style, baby, kids, and wellness, as well as other products, in both physical TGT stores and online.



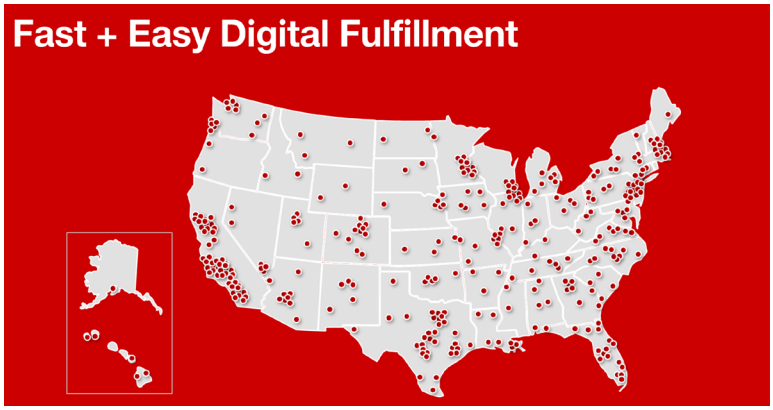
Source: Company Reports.

Is TGT a quality business? It certainly appears to have a number of attributes if one defines quality by the numbers. TGT generated a return on equity over the past twelve months of 35% with low levels of debt as net debt/earnings before interest, taxes, depreciation, and amortization (EBITDA) holds at 1.5x its value. Management has been a good steward of capital over time growing dividends for 51 consecutive years, and more recently, accelerating the pace of dividend growth to 20%. Moreover, TGT has returned cash to shareholders through an accelerated stock repurchase program this year, and the share count is down (7%) year-over-year.

On a qualitative basis, one measure of quality can be an assessment of TGT's competitive moat. From 2012 to 2017, TGT revenues were flat, as it contended with Amazon's emergence and TGT's ill-fated venture into Canada that was written off in 2015. TGT reset the business in 2017, and by 2019, initiatives such as store remodeling and loyalty programs began to take hold.

Source: Company Reports.

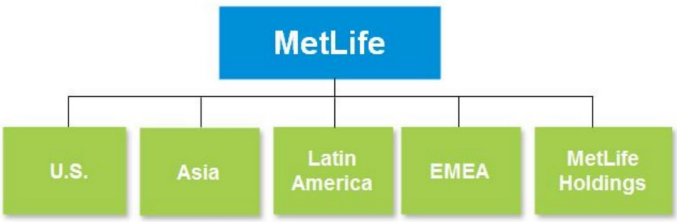
What became a competitive advantage for TGT in 2019 was its store-based fulfillment capabilities that enabled same-day pick up, either in store or curbside, through its nationwide store network seen in the graphic below.



Source: Company Reports.

TGT shares at purchase were trading at the low end of their five-year valuation range on a number of metrics. In addition, it appears TGT has a number of levers to pull on the earnings per share side, notably through share repurchase. Near-term macro concerns appear to be overweighing the secular story and delivery model, which appears to have sustainable demand due to the same-day convenience factor and digital integration. As a result, there appears to be a disconnect between the current valuation and the underlying secular growth in TGT's business. Even in the current environment, TGT's underlying trends of +4% traffic growth this past quarter implies continued steady demand. Just as TGT provides quality merchandise to its customers at compelling value, we see the same opportunity in TGT commons shares at this time.

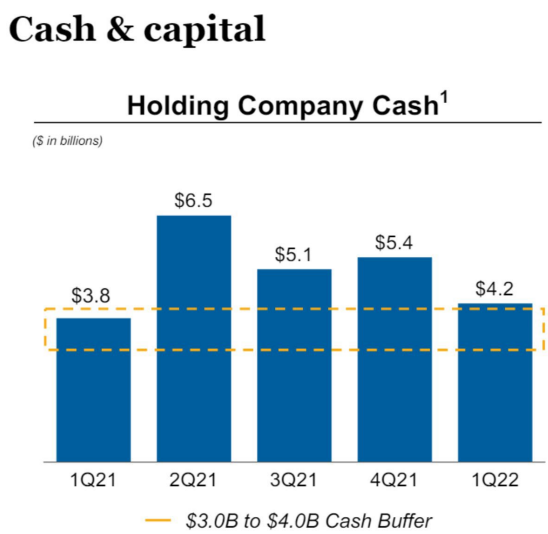
MetLife - MET is a leading global provider of insurance and employee benefit programs, serving 90 million customers in more than 60 countries, with leading market positions in the United States, Japan, Latin America, Asia Pacific, Europe, and the Middle East.



Source: Company Reports.

When we consider a stock for investment in our Equity Income strategy, we ask ourselves a few questions. First, is the company a quality business? Second, can it deliver for our clients? Third, can it create value?

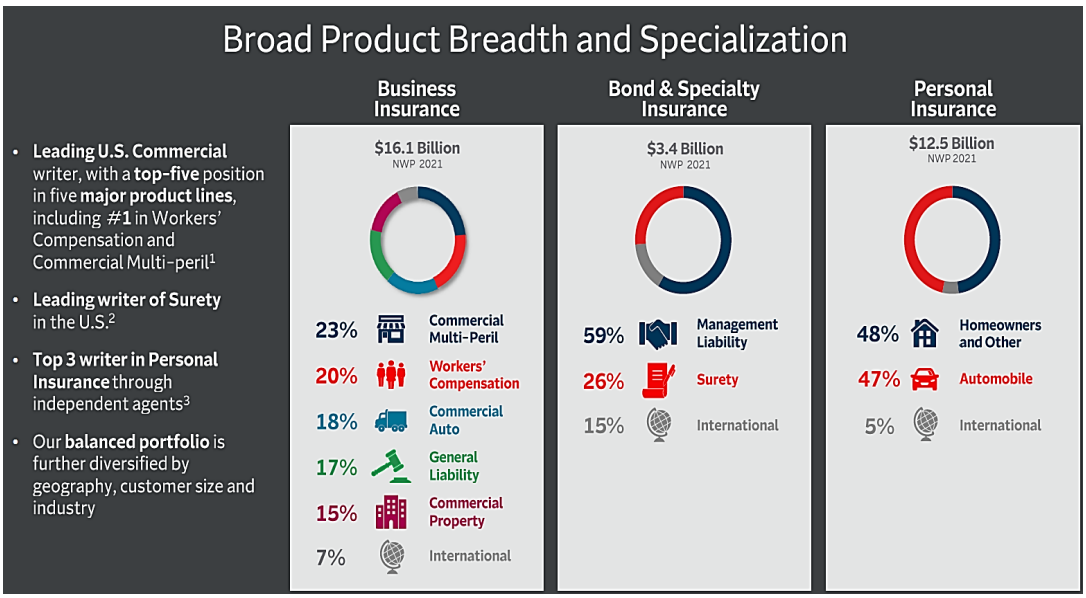
Is MET a quality business? With #1 market shares in its largest businesses and its diversified product set across 80% of the world's gross written premium, MET has characteristics of a quality business. We believe that the quality of the business has improved over the years through its transformation that involved selling its retail business, Brighthouse Financial (BHF), which materially reduced its market-sensitive variable annuity liabilities that continue to decline, while refocusing on short-tailed protection products that can reprice in two-to-three year increments. Part of the quality assessment in MET's case should also be its capital position where cash at the holding company has remained above its $3-4 billion (B) buffer.



[1]Includes cash and liquid assets at MetLife, Inc. and other holding companies at quarter-end.
Source: Company Reports.

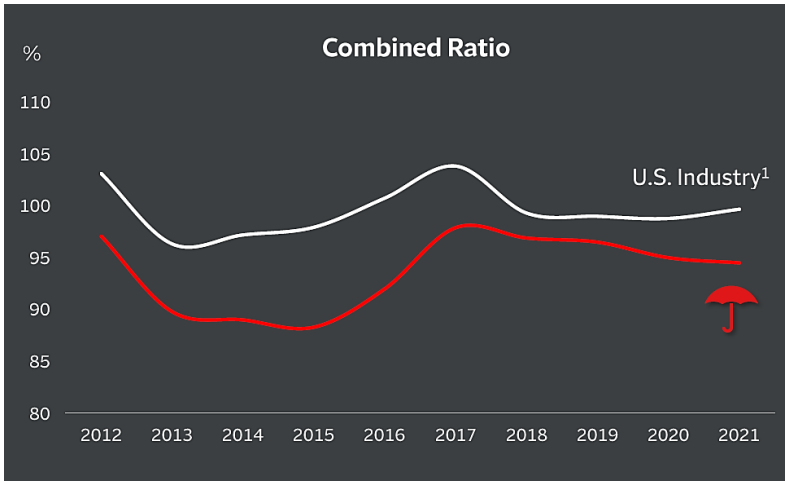
With #1 market share positions in its largest divisions, a global footprint, and a management that is oriented towards shareholder returns, current concerns regarding potential COVID-19 claims appear to be adequately offset by the stock's valuation. A review of MET's future earnings power includes the potential benefit of higher interest rates. With a dividend yield above 3% and having reduced its share count at book value by 7%, MET shares provide a total shareholder return of 10% while currently trading at a forward price over earnings (P/E) of less than 8x its value, providing a compelling investment opportunity, in our opinion.

Travelers - TRV is a leading domestic provider of property and casualty insurance with a diverse portfolio spanning business insurance, personal lines, and specialty coverages.



[1]U.S. Statutory DWP. Five major product lines: Commercial Multi-Peril (Commercial Multiple Peril (Liability)), Commercial Multiple Peril ((Non-Liability), Farmowners Multiple Peril), Commercial Auto (Commercial Auto No-Fault (Personal Injury Protection)), Commercial Auto Physical Damage (Other Commercial Auto Liability), General Liability (Other Liability Insurance, Product Liability); Worker's Compensation and Surety. [2]2021U.S. Statutory DWP. [3]2020 U.S. Statutory DWP. Source: Travelers.

We are attracted to Travelers' consistent track record of above-average profitability, which is evident in its better-than-average combined ratio (lower is better) as well as its above-average return on equity (the key metric for management's incentive compensation).



[1]Statutory combined ratio. Source: Travelers.

At the time of our purchase, TRV traded at approximately 11x year-ahead earnings, in-line with its 15-year average, which seems to ascribe little, if any, credit for a very robust pricing environment and a significantly improving outlook for investment income, in our opinion. In fact, shares trade at a 36% discount to the S&P 500, below the 30% discount TRV has averaged over the past 15 years.

Removals

Thomson Reuters - While our ownership of Thomson Reuters was relatively brief, it was also quite profitable. Within one quarter of purchasing shares, the stock appreciated 19%, nearly ten times the Russell 1000® Value's 2% total return over the same time period. Relative to a token position, and with valuation appearing less attractive now versus when we were buying, we've elected to move on, redeploying proceeds into businesses that we believe possess more compelling risk-reward profiles.

Stanley Black and Decker - Our ownership of Stanley Black & Decker was relatively short-lived, reflecting several factors. Macro conditions have worsened since our purchase, with interest rates spiking higher, impacting financing costs for residential, commercial, and industrial construction. Second, our initial thesis in part hinged on the company's ability to buy back $4 billion of its own stock this year. The company completed $2.3 billion of buybacks in the first part of 2022, while also announcing a suspension of further buybacks until next year. We believe this occurred due to the deterioration in its revenue, cash flow, and earnings outlook with a desire to protect its credit rating. While the decision isn't imprudent, it's a signal that the company possesses less financial flexibility than we anticipated. Third, there's been a significant shakeup in the Stanley C-suite, with long-tenured CEO James Loree being ousted, former CFO Don Allen being elevated to the CEO role, and President of Tools and Storage, Jaime Ramirez, leaving the company. Perhaps an executive shuffle is a necessary pre-condition for the company to get back on track, but it doesn't suggest the path will be smooth.

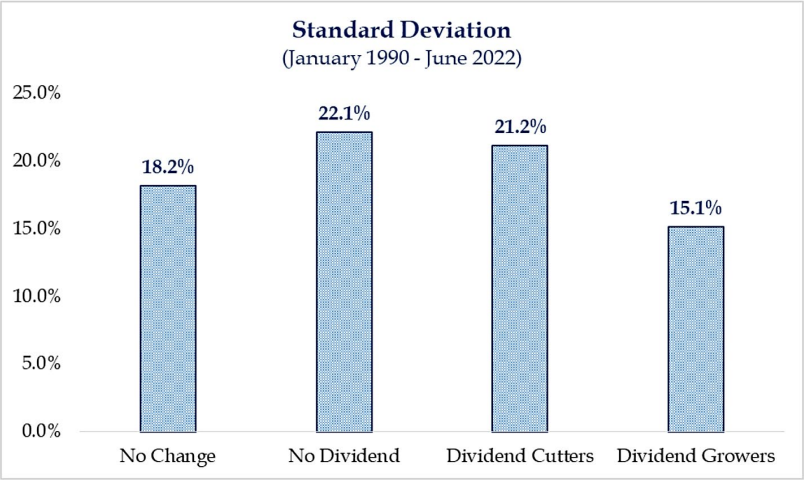
ESG

Regarding environmental, social, and governance (ESG) investing this quarter, there were a number of developments for our companies:

- **Goldman Sachs**: We engaged with investor relations (IR) to gather more information about results from their annual meeting.
- **Coca Cola**: Management shared plans at an investment conference this quarter to recover a bottle for every one they sell by 2030.
- **Tyson Foods:** The company reported greater metrics around recycled content in packaging and more robust metrics surrounding their work to validate more sustainable packaging solutions between themselves, strategic partnerships, and startups in their sustainability report this quarter
- **Air Products**: Management stated they are investing $15 billion or more in the energy transition.

Outlook

Over the past 20 years, we've said "defense wins championships" and thus far in 2022, it's paid to play good defense. We believe in 2022 it has paid to take the advice of famed investor Peter Lynch, who said "know what you own and why you own it." When it comes to dividend stocks, it certainly pays to know why an investor may own them. Last month, Strategas research updated its analysis of dividend stock performance. In the chart below, they show how dividend growers have lower volatility over time as measured by standard deviation. We have long said that an important component of our four pillar investment process is 'smoothing the ride' for investors, with the belief that owning quality companies with strong balance sheets and growing earnings at attractive valuations can help keep clients invested with us throughout market cycles.



Source: Strategas. Data are as of 06.30.2022.

While the stock market year-to-date has been a challenge in absolute returns, Strategas observed that, in 2022, dividend payers have issued dividends to their investors, relative to non-dividend paying stocks. The chart on the next page shows the value of dividend-paying stocks, as investors can reinvest those dividends into current opportunities with higher current yields.

ESG Risk: The use of ESG factors could result in selling or avoiding investments that subsequently perform well or purchasing investments that subsequently underperform. As a result, strategies that take ESG factors into account could underperform similar strategies that do not take into account ESG factors.

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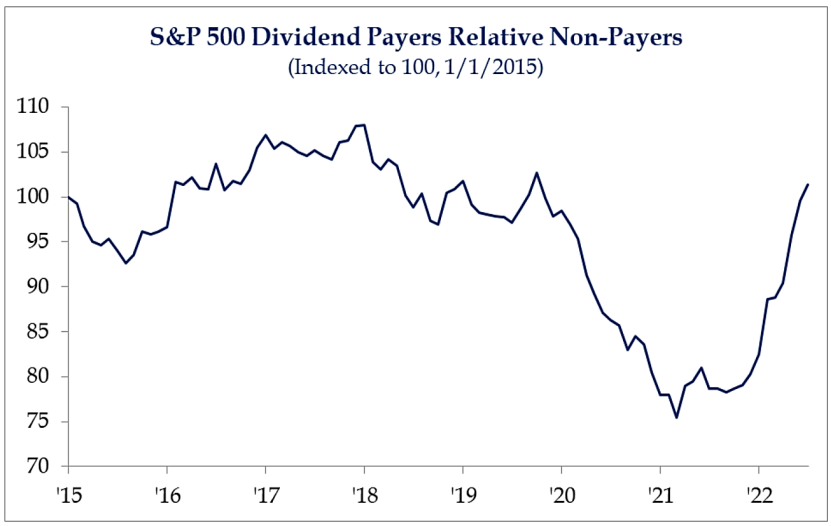
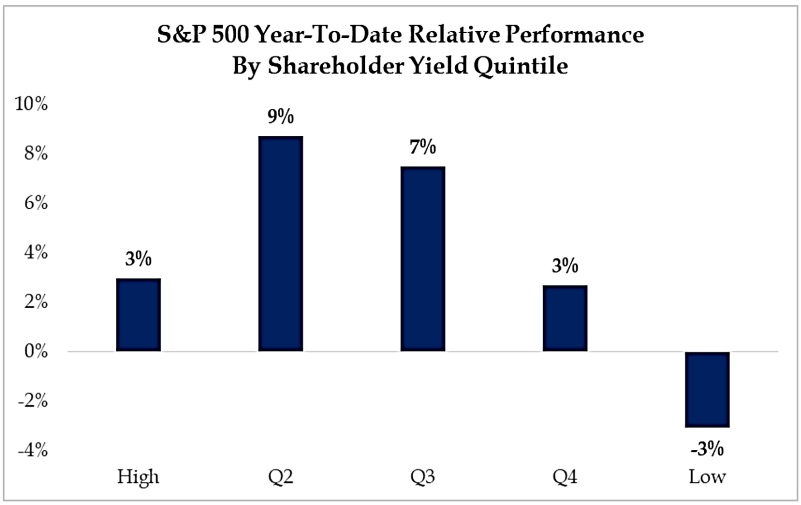


Source: Strategas. Data are as of 07.31.2022.

The benefit to owning companies that return cash to shareholders has not been limited only to dividend payers this year. Companies that have returned cash to shareholders through dividends and also share buybacks as measured by 'shareholder yield' have also been rewarded year-to-date. Within the Sterling Capital Equity Income strategy, we don't believe dividend growth and share buybacks are an either/or decision, as we're attracted to both. In fact, as of the end of last quarter, not only was the strategy growing dividends at a double-digit rate on a portfolio basis, but also on an individual basis. Over 70% of our strategy holdings had reduced their shares outstanding over the past year. It appears 'shareholder yield' can translate into attractive shareholder returns.

Shorter Duration Equities Outperforming Year to Date



Source: Strategas. Data are from 12.31.2021 to 08.31.2022.

Two questions we wish to address pertain to inflation and prospects for higher interest rates. While the future rate of inflation is uncertain, our focus remains on keeping the historical double-digit dividend growth rate for the strategy ahead of the rate of inflation. By having a dividend growth rate ahead of inflation, we believe we are keeping clients ahead of the game by providing them with a 'pay raise' greater than the rate of inflation. In the following chart, we provide historical context for the annual dividend growth of 'the market' and the rate of inflation. As one can see, in most decades, dividend growth handily outpaces the rate of inflation. In times such as these, however, finding a strategy with the ability to grow dividends ahead of inflation may provide an advantage to clients versus one that represents 'the market.'

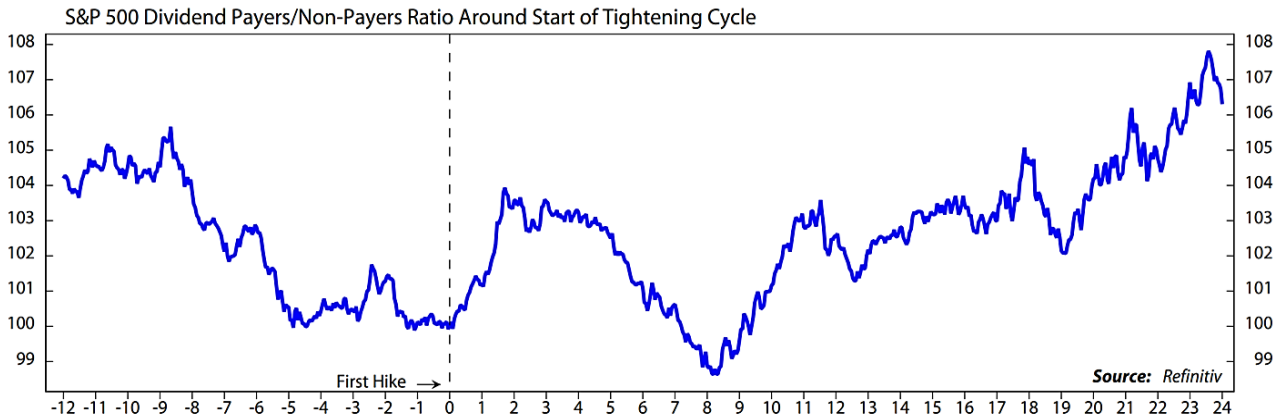
S&P 500: Dividend Growth Rate By Decade

Decade	Total Growth	Annual Growth	Inflation Rate
1950s	60.5%	4.8%	2.0%
1960s	72.7%	5.6%	2.3%
1970s	78.8%	6.0%	7.1%
1980s	95.6%	6.9%	5.5%
1990s	49.1%	4.1%	3.0%
2000s	36.0%	3.1%	2.6%
2010s	93.6%	6.8%	1.7%

Source: Robert Shiller Data. Data are as of 12.31.2019.

Regarding higher interest rates in the current environment, we wanted to provide some perspective. Ned Davis Research looked at dividend payers and their performances from the time of the first rate hike. We provided the following chart depicting how dividend payers outperformed by over 6% and have done so 75% of the time, going back to 1973.

Payers > Non-Payers as Tightening Cycle Unfolds



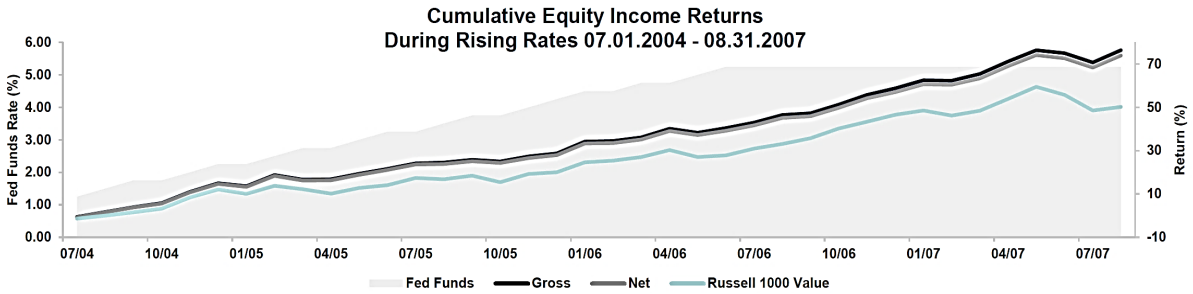
X-axis is in months. Source: Ned Davis Research.

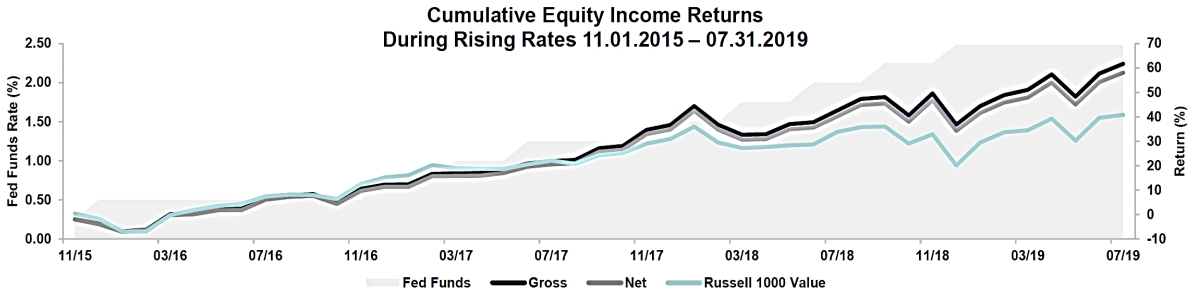
Equity Income SMA Commentary

3rd Quarter 2022

For Equity Income, that has meant not only owning dividend-paying stocks, but those that grow at a faster rate than 'the market.' Management teams that boost their dividends at a faster rate can signal optimism about their business in the future. It can also be a measure of quality, given a company's ability to pay dividends at a robust rate and can signal management's alignment with shareholders. The dividend growth component ingrained in our Equity Income investment process has been beneficial in prior rate tightening cycles over the 20+ year history of the strategy, as seen in the graphic below. With the macroeconomic uncertainty in the current environment, the strategy maintains its quality focus, with return on equity characteristics well ahead of the benchmark. Quality tends to shine in uncertainty. Our focus on strong balance sheets provides us with an advantage, as our companies should have a limited need to borrow to grow, as they generate their own capital to fund their growth. Finally, our companies are providing double-digit current dividend growth, generating value in the here and now, and we are focused on the ability of these companies to continue to deliver. We enter the 4Q2022 and 2023 focused on our four investment pillars, especially those of quality, with strong balance sheets, and with strong dividend growth. We are excited to add our new holdings that we believe position the strategy well as we move forward.

Equity Income Performance in a Rising Rate Environment





Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns 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 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 located in the Appendix. Source: Sterling Capital Analytics, Russell.

Source: Sterling Capital Management Analytics. Data are as of 07.31.2019.

Thank you for your investment and confidence in us.

Chip Wittmann, CFA®
Co-Portfolio Manager

Adam Bergman, CFA®
Co-Portfolio Manager

STERLING CAPITAL

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 investment management fees and trading expenses. “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 Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value 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.

Dividend Policies: Dividend Paying vs. Non-Paying: Each stock's dividend policy is determined by its indicated annual dividend. We classify a stock as a dividend-paying stock if the company indicates that it is going to be paying a dividend within the year. A stock is classified as a non-payer if the stock's indicated annual dividend is zero. Prior to July 2000, the indicated annual dividends were updated on a quarterly basis. Since July 2000, the indicated annual dividends are updated on a daily basis, so the most up-to-date information is used. The index returns are calculated using monthly equal-weighted averages of the total returns of all dividend-paying (or non-paying) stocks. A stock's return is only included during the period it is a component of the underlying index. The dividend figure used to categorize the stock is the company's indicated annual dividend, which may be different from the actual dividends paid in a particular month.

Dividend Growing, No-Change-in-Dividend, and Dividend Cutting: Each dividend-paying stock is further classified into one of the three categories based on changes to their dividend policy over the previous 12 months. Dividend Growers and Initiators include stocks that increased their dividend anytime in the last 12 months. Once an increase occurs, it remains classified as a grower for 12 months or until another change in dividend policy. No-Change stocks are those that maintained their existing indicated annual dividend for the last 12 months (i.e., companies that have a static, non-zero dividend). Dividend Cutters and Eliminators are companies that have lowered or eliminated their dividend anytime in the last 12 months. Once a decrease occurs, it remains classified as a cutter for 12 months or until another change in dividend policy. (Source: Ned Davis Research).

Technical Terms: **Earnings Per Share (EPS)**: a key metric used to determine the common shareholder’s portion of the company’s profit. EPS measures each common share’s profit allocation in relation to the company’s total profit. The **EBITDA** metric is a variation of operating income (EBIT) that excludes certain non-cash expenses. The purpose of these deductions is to remove the factors that business owners have discretion over, such as debt financing, capital structure, methods of depreciation, and taxes (to some extent). It can be used to showcase a firm’s financial performance without the impact of its capital structure. **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.)

The Chartered Financial Analyst® (CFA) charter is a graduate-level investment credential awarded by the CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

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ESG Considered: Sterling Capital is committed to achieving the best possible risk adjusted returns for our clients. To achieve these results, a variety of factors are considered, including ESG issues. Sterling Capital strategies that take the ESG Considered approach analyze ESG as one part of the research mosaic and consider it, along with other fundamental data, during the investment process. Sterling Capital strategies designated as ESG Considered do not claim ESG Integration.

STERLING CAPITAL

Sterling Capital Management – Equity Income SMA Composite

January 1, 2012 – December 31, 2021

Description: Consists of all discretionary separately managed wrap Equity Income portfolios. Sterling's Equity Income portfolios invest primarily in companies with a dividend yield greater than the S&P 500 and a history of growing the dividend, either three consecutive years or six of the prior ten years.

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 (%)	Russell 1000 Value	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2021	28.68	25.17	4	438	75,308	Not Meaningful	25.16	18.17	19.05
2020	7.16	5.83	4	588	70,108	Not Meaningful	2.80	18.87	19.62
2019	25.30	23.73	5	739	58,191	Not Meaningful	26.54	11.32	11.85
2018	-0.26	-1.53	5	619	56,889	Not Meaningful	-8.27	11.01	10.82
2017	20.54	18.94	4	643	55,908	Not Meaningful	13.66	9.78	10.20
2016	15.43	13.84	3	989	51,603	Not Meaningful	17.34	10.40	10.77
2015	-2.70	-4.15	3	1,100	51,155	Not Meaningful	-3.83	10.20	10.68
2014	4.61	2.98	3	1,501	47,540	Not Meaningful	13.45	8.33	9.20
2013	26.70	24.74	3	1,574	45,638	Not Meaningful	32.53	9.72	12.88
2012	12.39	10.63	3	1,272	4,422	Not Meaningful	17.51	11.83	15.73

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. The appropriate benchmark for this composite is the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of 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. Portfolios utilize trade-date accounting. Valuations and performance are reported in US dollars. Composite returns are calculated monthly by weighting the aggregate SMA/Wrap sponsor returns using beginning of period market values. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts.
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 2.82%. Prior to January 1, 2021, the net of fee return reflects the actual SMA fee of the individual portfolios in each platform except for one platform where the maximum fee is deducted from the gross return. The SMA fee includes all charges for trading costs, portfolio management, custody and other administrative fees. The actual fee may vary by size and type of portfolio. The maximum SMA or bundled external platform fee is 2.82% annually and includes Sterling's actual management fee of 0.32%. Sterling's actual management fees are 50 basis points annually or less. 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.
6. 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.