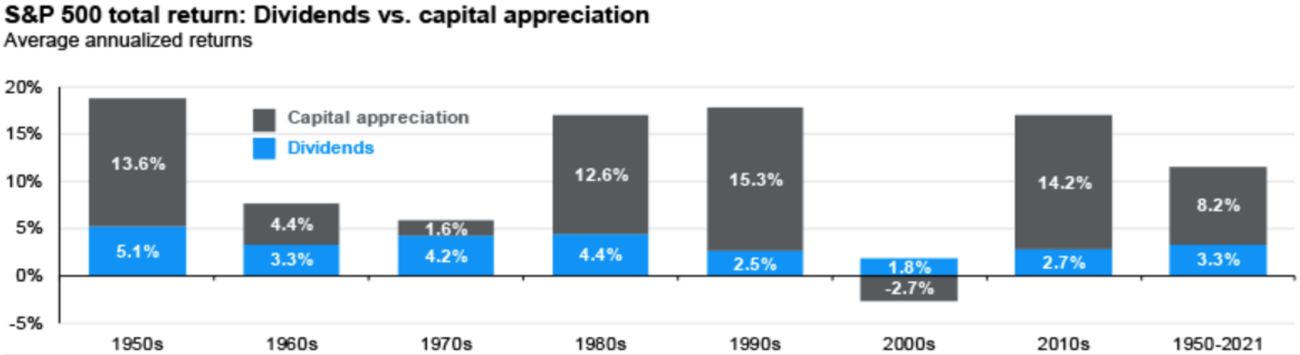
Equity Income SMA Commentary

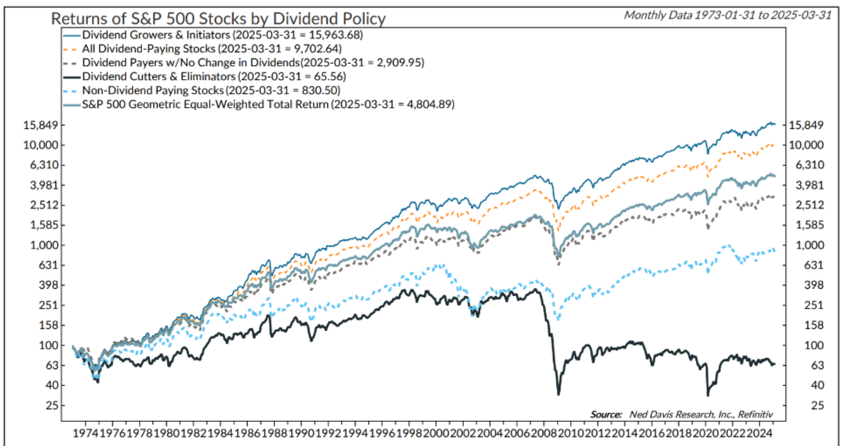
1st Quarter 2025

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 require 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 10.2% compound return for over 50 years, compared to 7.7% for equally-weighted members of the S&P 500, 4.1% for no-yield constituents, and a woeful -0.8% 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 - 2025-03-31		
Portfolio	Gain/Annum %	Growth of $100
Dividend Growers & Initiators	10.2	15963.7
All Dividend-Paying Stocks	9.2	9702.6
Dividend Payers w/No Change in Dividends	6.7	2910.0
Dividend Cutters & Eliminators	-0.8	65.6
Non-Dividend Paying Stocks	4.1	830.5
S&P 500 Geometric Equal-Weighted Total Return	7.7	4804.9

S09

Source: Ned Davis Research.

NDR

Index performance of the S&P 500 is for illustrative purposes only. The volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

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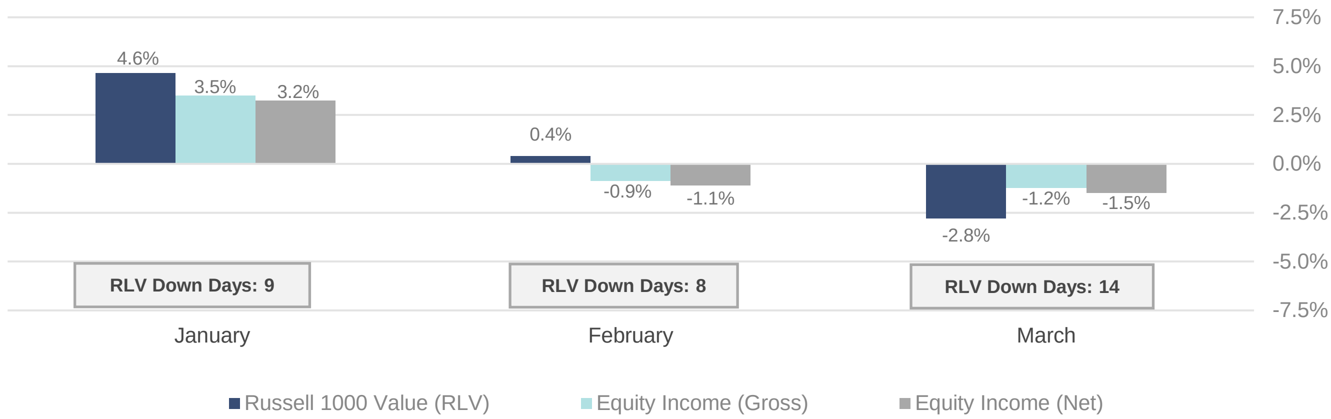
Quarterly Review

Performance	QTR	YTD	1YR	3YR	5YR	10YR	Since Inception[1]
Sterling (Gross)	1.41%	1.41%	0.02%	6.26%	17.00%	10.55%	10.08%
Sterling (Net)	0.66%	0.66%	-2.90%	3.17%	13.63%	7.35%	6.89%
Russell 1000® Value Index	2.14%	2.14%	7.18%	6.64%	16.15%	8.79%	7.39%

In 1Q25, the Equity Income strategy returned 1.41% on a gross basis and 0.66% on a net of fee basis relative to the 2.14% return for the Russell 1000® Value Index.

We believe the monthly pacing in 1Q25 was notable as many of the momentum/style-driven headwinds we discussed for Equity Income in 4Q24 carried over into first two months of the year, with the strategy lagging the Russell 1000 Value's strong returns through February. Markets became more challenged in March as global trade rhetoric increased (becoming policy in early April), resulting in negative benchmark performance for the month and a notable increase in down trading days. We would note that Equity Income's relative performance improved in March, consistent with the strategy's historical track record of outperforming in down markets, including in the last seven consecutive down years for the Russell 1000 Value Index dating back to 2001.

Equity Income Performance Improved as Benchmark Turned Negative



Sources: FactSet; Russell; Sterling Capital Management Analytics. All data is as of 03.31.2025 unless otherwise noted.

[1]Inception date is 12.31.2000. Data is as of 03.31.2025. The benchmark is the Russell 1000 Value. Performance results prior to 01.01.2013 are considered "predecessor performance" and were achieved by the Equity Opportunities team when they were known as CHOICE Asset Management, a division of Scott & Stringfellow. 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.

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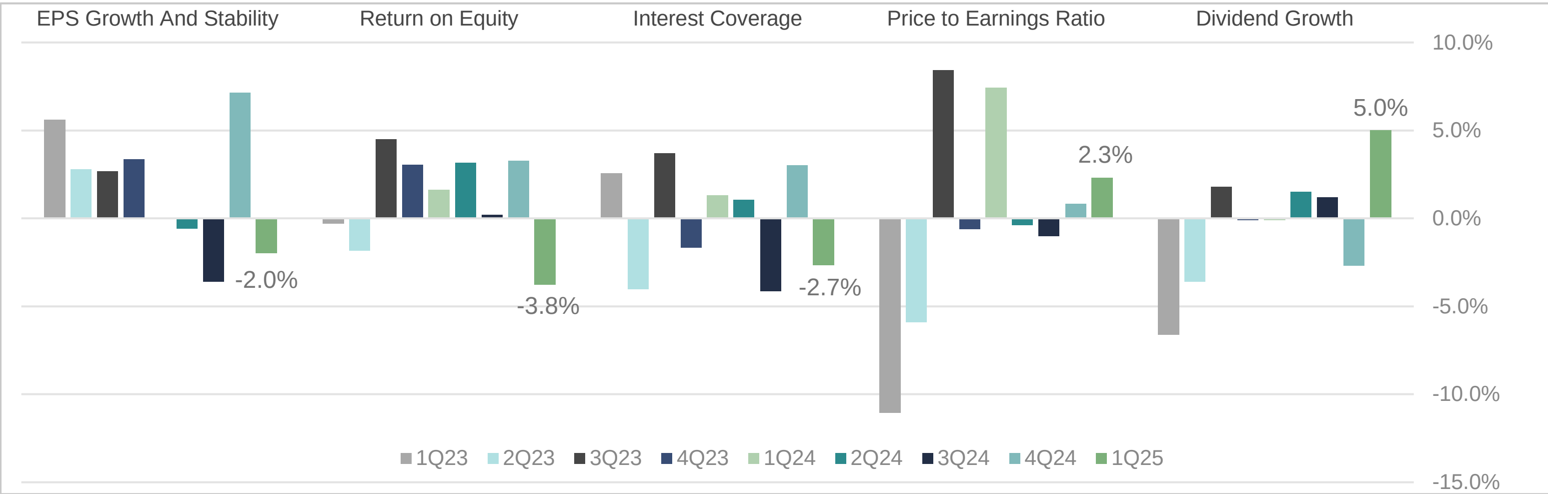
Style factors most relevant to Equity Income were mixed as key quality metrics such as return on equity (ROE) and interest coverage were unhelpful for performance in the quarter. However, dividend growth emerged as a stronger factor. We believe this reflects changes in momentum as a factor itself. Momentum had one of its strongest years since the 1950s in 2024, according to Empirical Research, but this began to reverse in February 2025. By sector, stock performance in the energy, healthcare, and consumer discretionary sectors outperformed, but the strategy's exposures in technology, financials, and industrials lagged overall.

Key Equity Income Investment Factors in 1Q25



Source: Ned Davis Research.

Our top contributors and detractors are as follows:

1Q25 Attribution

Leading Contributors	Portfolio Weight	Total Return	Gross Contribution to Return
Elevance Health, Inc.	4.81	18.40	0.83
Altria Group, Inc.	3.58	16.85	0.57
Coterra Energy Inc.	3.51	14.09	0.49
AbbVie, Inc.	2.90	19.04	0.48
Marsh & McLennan Companies, Inc.	2.80	15.31	0.39

Sources: FactSet; Sterling Capital Management Analytics.

- **Elevance (+18.4%)** shares rebounded after falling in 4Q24 due to intensifying medical cost trends. We believe the company may benefit from its insurance book repricing through 2025, providing relief to margins. To this end, Elevance reiterated full-year guidance at an investment conference in 1Q25.
- **Altria (+16.9%)** reported decent results, in our view, with earnings coming in above analyst expectations and volume declines coming in less than expected. Earnings guidance called for 2-5% growth in 2025, roughly in line with Wall Street estimates. We continue to like Altria's pricing power, low valuation, and high dividend yield.

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- **Coterra (+14.1%)** continues to execute well, in our view, with Q4 production volumes and analyst expectations for 2025 production volumes coming in favorable relative to expectations. Natural gas prices were up 35% in the first quarter, and company management noted it might toggle capital expenditures (CapEx) spend towards its gas assets should pricing remain firm.
- **AbbVie (+19.0%)** rose in response to strong fourth quarter results and earnings outlook for 2025. The company has strong growth from Skyrizi and Rinvoq, their two largest drugs, which combined grew 50% over last year.
- **Marsh & McLennan (+15.3%)** continues to perform well, in our view, as Q4 revenue and earnings both beat consensus expectations. Company management's 2025 guidance for mid-single-digit revenue growth, margin expansion, and solid growth in adjusted earnings per share (EPS) appeared to be received well by the market.

Leading Detractors	Portfolio Weight	Total Return	Gross Contribution to Return
Booz Allen Hamilton	3.21	-18.36	-0.60
Microsoft Corporation	4.41	-10.76	-0.48
Rockwell Automation, Inc.	2.45	-9.20	-0.42
Ameriprise Financial, Inc.	4.38	-8.82	-0.39
Microchip Technology Incorporated	1.32	-9.52	-0.30

Sources: FactSet; Sterling Capital Management Analytics.

- **Booz Allen Hamilton (-18.4%)** shares were pressured in Q1 following the November election result and speculation that government efficiency initiatives may hurt demand. While there may be near-term risk to the demand environment, we believe the company is well-positioned in high priority areas in the federal government.
- **Microsoft (-10.8%)** underperformed in the quarter as investor sentiment towards the generative artificial intelligence (genAI) investment theme moderated. We would note that Azure Cloud Services' growth remains robust at more than 30%, and the company may scale its genAI investments, which we believe could be favorable for margins and the stock price.
- **Rockwell Automation (-9.2%)** fell due to increasingly volatile global trade dynamics. Rockwell supplies capital equipment that helps goods makers automate their manufacturing processes. Given its strong share in North America, we believe it is well-positioned should job reshoring trends accelerate in the U.S.
- **Ameriprise (-8.8%)** gave back some of its gains in the first quarter after rising 41% in 2024. We believe the stock benefitted from accelerating earnings growth in 2024, driven by strong asset gathering and rising financial markets.
- **Microchip**'s **(-9.5%)** business trends remained challenged into 2025, in our view, as it appears to grapple with an oversupply of its products. We exited the position in the quarter, discussed more in the *Removals* section.

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Purchases

We added shares of **Linde PLC (LIN)** in January 2025. Linde is the largest industrial gas company in the world by market share and revenue with sales more than $33B in 2024. The company produces atmospheric and process gases, high-performance surface coatings, and engineering solutions. The opportunity to purchase the company arose as some of their end-markets were challenged with negative volumes in Europe and China. We believe we paid a fair price for Linde given the favorable competitive dynamics with a management team that has a strong track record of operational execution and capital allocation. The company has a long history of pricing power that has offset periods of muted volume demand, supporting 9% dividend growth over the past five years.

Removals

We sold **Hershey (HSY)** in February. We initially purchased Hershey shares in early 2024 as rising cocoa prices threatened stock sentiment and profit margins. Our view at the time was that high cocoa prices were transient due to a bad crop. We also thought Hershey had sufficient pricing power to combat the higher input costs. Unfortunately, as time progressed, Hershey's ability to pass on costs to the customer waned and cocoa prices remained stubbornly high due to issues that appear more structural than we appreciated. Finally, company management turnover became disconcerting, including the retirement of CEO Michelle Buck and the departure of the head of U.S. confection in recent months. As a result, we decided to rotate to better perceived opportunities.

We also sold shares of **Merck (MRK)** in February, a holding we first purchased in 2016. Over this time, some investors have observed the rise of Keytruda into the largest oncology drug of all time by revenue, including 17% sales growth last year. However, at more than 45% of company revenue, the success of Keytruda represented a major risk to us given its looming patent expiration in 2028. Part of Merck's strategy to mitigate this risk was its vaccine franchise led by Gardasil, which grew 28% in 2023. Last year, however, Gardasil sales declined as sales in China waned. We believe the company may offset the patent cliff though a subcutaneous version of Keytruda, its organic development pipeline, and through acquisitions. All of these seem like reasonable endeavors, but we do not have conviction they will offset the loss of Keytruda revenue.

Finally, we sold **Microchip (MCHP)** in February. Our investment thesis on MCHP was based on the opportunity to leverage its leading microcontroller share position and benefit from the proliferation of its semiconductor content across a number of end markets. The company hit a rough patch last year that initially looked to be cyclical in nature as a shortage of MCHP products gave way to oversupply. Upon further research, we concluded that the magnitude and duration of this correction may be more company specific and competitive in nature as it culminated in the return of the company's founder as interim CEO. Also, after years of above-average growth, the company left its dividend flat in the most recent quarter, which is typically a sign of financial stress. We opted to rotate to more attractive opportunities.

For a full discussion of portfolio changes, please refer to our stock writeups issued in the month after the activity.

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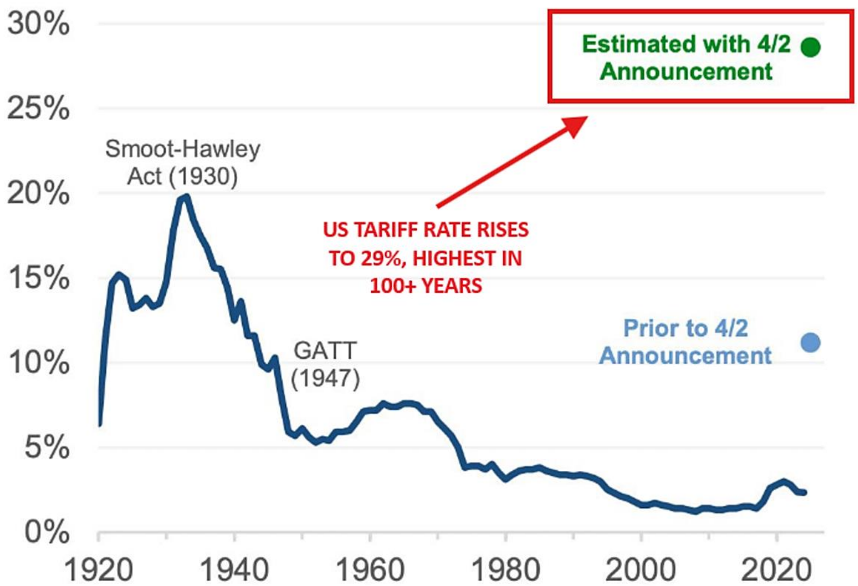
Outlook

At the time of writing, financial markets fell sharply in the wake of the President Trump's April 3 announcement of larger-than-expected import tariffs on much of the world. The cumulative impact of these tariffs is estimated to be larger than the Smoot-Hawley Act of 1930. We view them as substantively similar to a tax, inherently inflationary, and disruptive to global trade if in place for an extended duration. Early impacts are varied and include rapid retaliation from China, while countries such as India, Vietnam, and Taiwan are reportedly eager to engage in bilaterial trade discussion. Meanwhile, there are anecdotes of corporations taking action, such Jaguar Land Rover, suspending all U.S. auto shipments in response to European tariffs.

U.S. Weighted-Average Tariff Rate



GATT: The General Agreement on Tariffs and Trade. Sources: U.S. Census Bureau; U.S. ITC; Evercore ISI Research.

Unfortunately, tariffs may add to challenges that were already present in all of the major components of gross domestic product (GDP) to the degree that J.P. Morgan now characterizes a recession as "likely." Consumer spending at roughly 70% of GDP was already pressured as households dealt with inflation. Importantly, spending resilience among the top 10% has pushed this cohort to 50% of consumer spending. We would note this top 10% also owns roughly 70% of financial assets, according to Federal Reserve (Fed) data, leaving this cohort's spending potentially vulnerable to the negative wealth effects of recent stock market volatility. As for government spending, interest payments from the national debt have surged as a percentage of federal budget, making reductions in spending a rising priority as evidenced by recent congressional budget discussions and efforts to reduce federal headcount.

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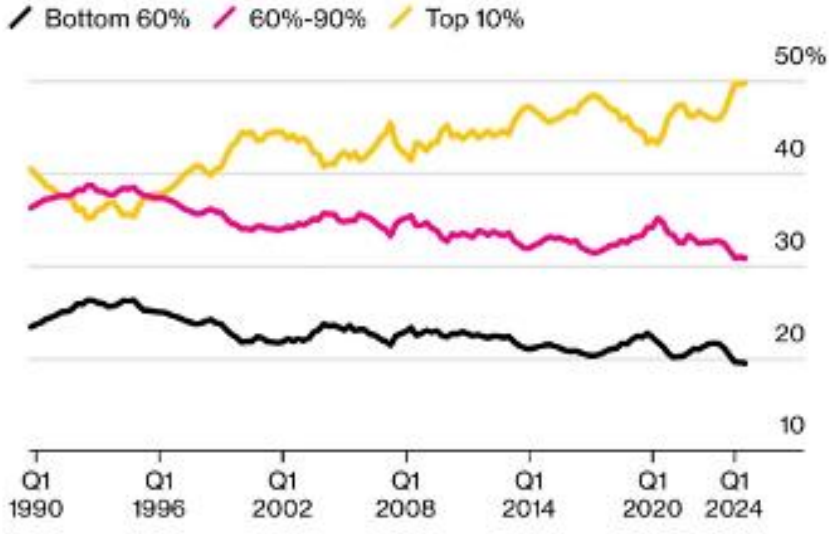
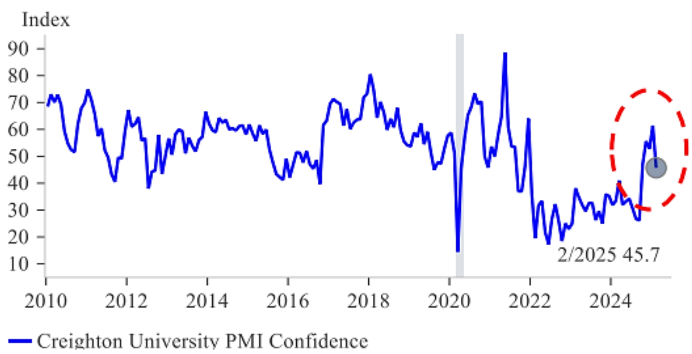
Share of U.S. Personal Spending by Income Bracket



Source: Moody's Analytics.

This leaves business investment as the final piston of GDP which, combined with fewer business regulations, could *theoretically* be stimulated by the tariff policy. However, we believe the magnitude and volatility of policy change appears to be counterproductive on business sentiment in early 2025. In the chart below, we see recent surveys of Purchasing Managers' Index (PMI) confidence and chief financial officer (CFO) business optimism both turning lower in recent months.

Creighton University PMI Confidence



CFO Survey Business Optimism versus 4Q24

Source for both charts: Strategas.

We were not surprised to see that financial markets responded negatively to recent events, including a negative month in March and the S&P 500 falling 10% in the two days after the tariff news. As of April 4, valuation multiples remain elevated as the S&P 500 sits at 18.3x forward earnings, or roughly one standard deviation above the index's 20-year average. We would also note that valuations remain well above levels in the mid-to-late 2000s when 10-year Treasury yields were at similar levels (see top chart on the next page).

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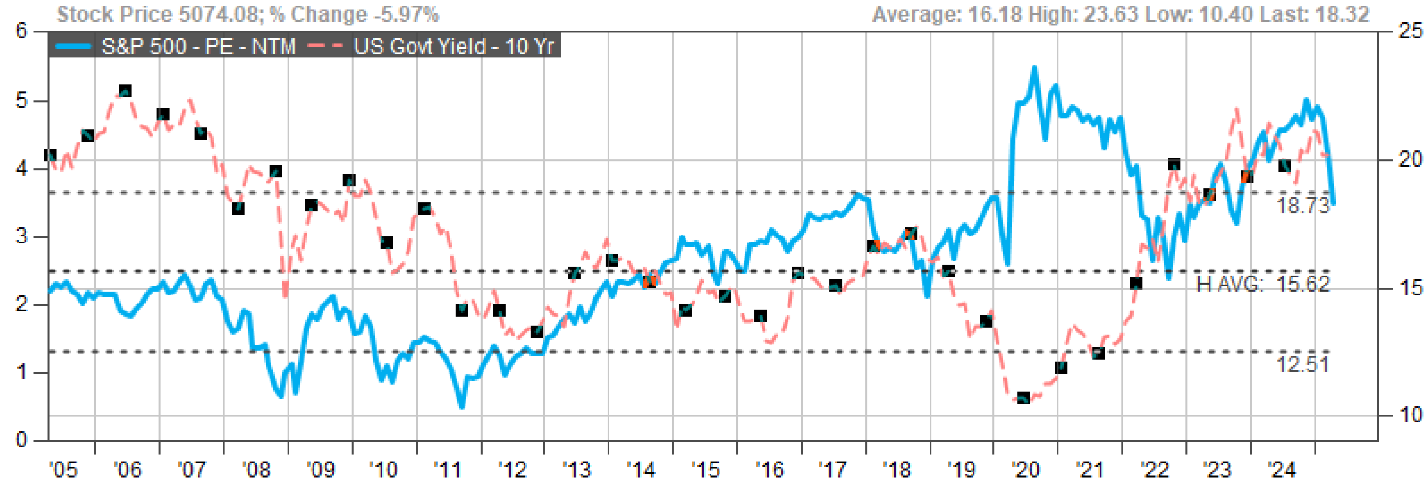
While the “Magnificent 7” has been an outsized driver of market valuations and returns, multiples are elevated elsewhere. WalMart, for example, trades at 30x forward earnings. Meanwhile, the S&P 500 financials sector’s forward price-to-earnings ratio (P/E) sits at 15.6x earnings versus its 20-year average of 12.5x, even after the recent drawdown. Finally, these valuations reflect an S&P 500 earnings estimate that has remained resilient year-to-date but may be at risk of downward revision for all of the reasons discussed previously.

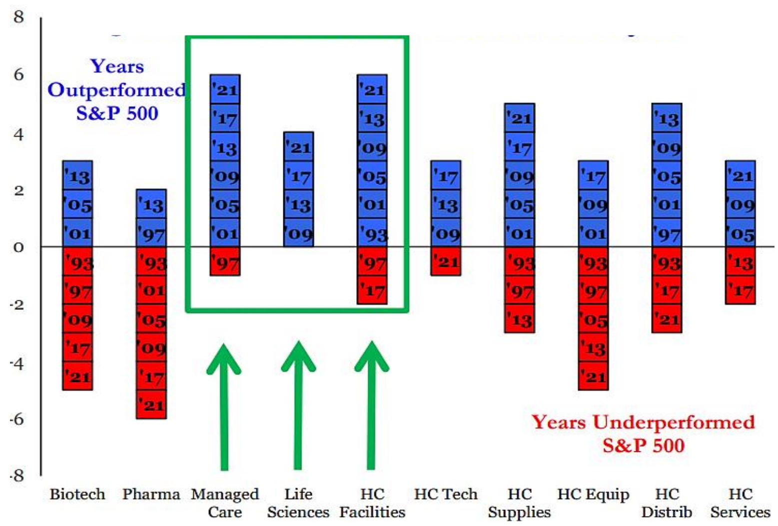
S&P 500 Valuations versus Ten-Year Treasury Yields



The left y-axis represents standard deviations. The right y-axis represents forward earnings. Source: S&P Valuations. NTM: next twelve months. Data is as of 04.04.2025.

Looking forward, what does all this mean for Equity Income? Beyond the strategy’s portfolio changes, we reduced our weight in the financial services sector after stock outperformance drove valuations higher, including trims of **Raymond James** and **Nasdaq**. We continue to maintain exposure in healthcare which tends to perform well in the first year of a new administration.

Health Care Subindustry Out/Underperformance Against S&P 500 in First Year of Presidential Cycle



HC: health care. Source: Strategas.

In closing, we continue to orient the portfolio around quality, specifically towards companies we believe possess durable business attributes such as strong balance sheets, high ROE, and above-average dividend growth. Our dividend growth remains well above our benchmark by our estimate. The portfolio median five-year trailing dividend growth as of year end was almost 50% higher than the benchmark, while median ROE was 80% higher. Importantly, there appears to be strong support that these attributes are defensive in nature. According to Ned Davis research, over all negative rolling 12-month periods in the market since 1985, dividend growth has outperformed by 400 basis points while ROE has outperformed by 600 basis points.

We would argue that defense is not the only role that dividend growth can play in a portfolio. In the figure below, we highlight that dividend growth has a history of positive appreciation the farther we get from an initial rate cut. Wolfe highlights that dividend aristocrats often initially respond negatively to a Fed policy reversal towards rate cuts, but historically, stock performance improves as we get six months to a year removed. We do not know if past patterns will hold in the future, but with the Fed's first rate cut last September, we believe Equity Income is well-positioned should history repeat itself.

	Dividend Aristocrats		
Date of First Cut	**+3 Months**	**+6 Months**	**+12 Months**
7/6/1995	6.6%	13.4%	24.4%
7/1/1998	-14.3%	3.2%	7.6%
1/3/2001	-4.4%	5.8%	11.1%
9/18/2007	-6.7%	-10.6%	-8.3%
7/31/2019	4.1%	6.6%	3.9%
Average:	**-2.9%**	**3.7%**	**7.7%**
Median:	**-4.4%**	**5.8%**	**7.6%**

Sources: Wolfe Research; Sterling Capital Management Analytics. Data is as of 04.07.2025.

Thank you for your investment and confidence in us.

Jeremy Lopez, CFA®
Co-Portfolio Manager

Chip Wittmann, CFA®
Co-Portfolio Manager

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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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® 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 Risk: Dividend yield is one component of performance and should not be the only consideration for investment. Dividends are not guaranteed and will fluctuate. This report should not be regarded by the recipients as a substitute for the exercise of their own judgment. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. **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: **Capital expenditures (CapEx)** are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company. **The CFO Business Optimism Survey** is a survey that measures the optimism of chief financial officers (CFOs) and other finance professionals regarding the U.S. economy and their own firms' financial prospects. It's a key indicator of economic expectations and is used by policymakers, business leaders, and researchers. **Earnings per share (EPS)** is a financial ratio that measures a company's profitability. It represents the net income earned by a company per outstanding share of its common stock. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country’s borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country’s economic health. **The "Magnificent Seven"** refers to a group of seven large-cap technology companies (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla) that have significantly influenced the U.S. stock market and global economy in recent years. These companies are known for their high stock performance and have been a major driver of market growth. **The price-to-earnings (P/E) ratio** measures a company's share price relative to its earnings per share (EPS). Often called the price or earnings multiple, the P/E ratio helps assess the relative value of a company's stock. **The Purchasing Managers' Index (PMI)** is a survey-based economic indicator that measures the health of the manufacturing and service sectors. It's a snapshot of the overall economic environment, reflecting how companies perceive their current situation and the future outlook. **Return on Equity (ROE)** is the measure of a company’s annual return (net income) divided by the value of its total shareholders’ equity, expressed as a percentage. Alternatively, ROE can also be derived by dividing the firm’s dividend growth rate by its earnings retention rate. **The Smoot-Hawley Tariff Act of 1930** increased U.S. imports tariffs by an average of 40-60% in an effort to protect U.S. farmers during the Great Depression. (Technical definitions are sourced from Corporate Finance Institute.)

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Sterling Capital Equity Income 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)
2024	5.82%	2.75%	14.37%	15.19%	16.66%	0.17%	525	$236	$66,160
2023	13.45%	10.17%	11.46%	15.52%	16.51%	0.13%	478	$277	$66,746
2022	-2.54%	-5.40%	-7.54%	20.20%	21.25%	0.12%	511	$283	$62,842
2021	28.68%	25.00%	25.16%	18.17%	19.06%	Not Calculable	4	$439	$75,309
2020	7.17%	4.05%	2.80%	18.87%	19.62%	Not Calculable	4	$588	$70,108
2019	25.30%	21.71%	26.54%	11.32%	11.85%	Not Calculable	5	$739	$58,191
2018	-0.26%	-3.18%	-8.27%	11.01%	10.82%	Not Calculable	5	$619	$56,889
2017	20.54%	17.08%	13.66%	9.78%	10.20%	Not Calculable	4	$643	$55,908
2016	15.43%	12.10%	17.34%	10.40%	10.77%	Not Calculable	3	$989	$51,603
2015	-2.70%	-5.55%	-3.83%	10.20%	10.68%	Not Calculable	3	$1,100	$51,155

Benchmark: Russell 1000® Value Index   Composite Creation Date: 12.31.2000   Inception Date: 01.01.2001

1. Consists of all discretionary separately managed wrap Equity Income portfolios. SCM'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.
2. 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.
3. 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 12/31/2023. 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.
4. 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.
5. 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.
6. 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.
7. 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 1/1/21, composite returns are calculated by weighting the individual portfolio returns using beginning of period market values. Prior to 1/1/21, composite returns were calculated monthly by weighting the aggregate SMA/Wrap sponsor returns using beginning of period market values.
8. "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. 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 2.84% annually and includes Sterling's actual management fee of 0.34%. Sterling's actual management fees are 0.50% annually or less. Since inception, the composite is comprised 100% of wrap fee portfolios.
9. 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.
10. The appropriate benchmark 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.
11. 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.
12. Effective 1/1/22, number of portfolios is based on underlying accounts at the wrap sponsors. Prior to 1/1/22, number of portfolios was reported as the number of wrap platforms.