

# 4<sup>th</sup> Quarter 2021 Market Review:

Equity Income SMA

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- The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index.

# Meet Your Speakers & Agenda

## WebEx Agenda:

- Equity Income SMA review of Q4.2021 performance, activity and positioning
- Equity market and macro environment review
- Equity market outlook
- Q&A



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# Performance

## Sterling Equity Income SMA



Performance	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception*
Sterling (Gross)	10.02%	28.67%	28.67%	20.00%	15.74%	13.27%	10.82%
Sterling (Net)	9.69%	27.13%	27.13%	18.52%	14.29%	11.70%	9.22%
Russell 1000® Value	7.77%	25.16%	25.16%	17.64%	11.16%	12.97%	7.63%


\*Inception date is 12.31.2000.

Data as of 12.31.2021. 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 located in the Appendix. Source: Russell Investments, S&P, Sterling Capital Management Analytics.

**Past performance is not indicative of future results.**



# Mainstream Media Headlines

 **MarketWatch**

• Latest Watchlist Markets Investing Personal Finance Economy Retirement How to

Home > Markets > Market Extra

Market Extra

# Is it time to bail out of the stock market? Wild price swings are shaking the resolve of some investors.

Last Updated: Jan. 30, 2022 at 2:22 p.m. ET  
First Published: Jan. 29, 2022 at 2:58 p.m. ET

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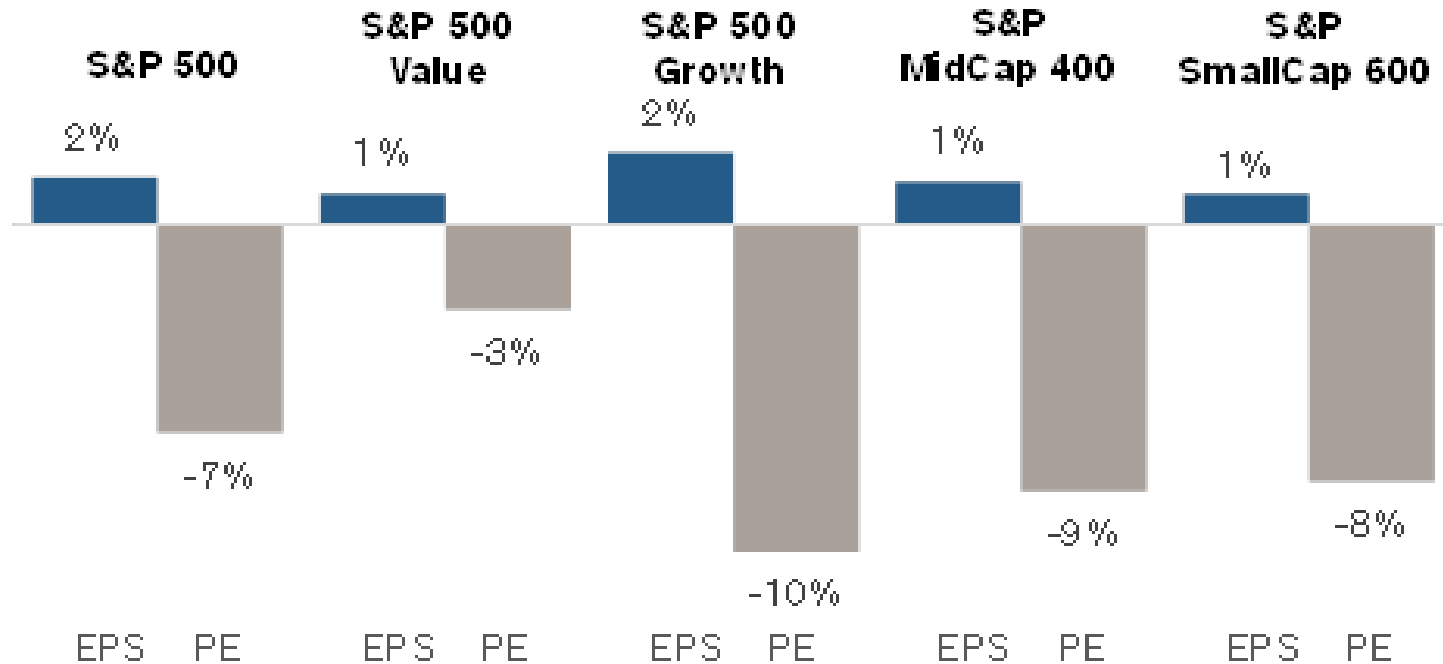
By [Mark DeCambre](#) [Follow](#)

Source: MarketWatch. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



# Risk Off for High Growth

## Earnings Per Share (EPS) and Price Earnings (P/E) Contribution to January 2022 Return

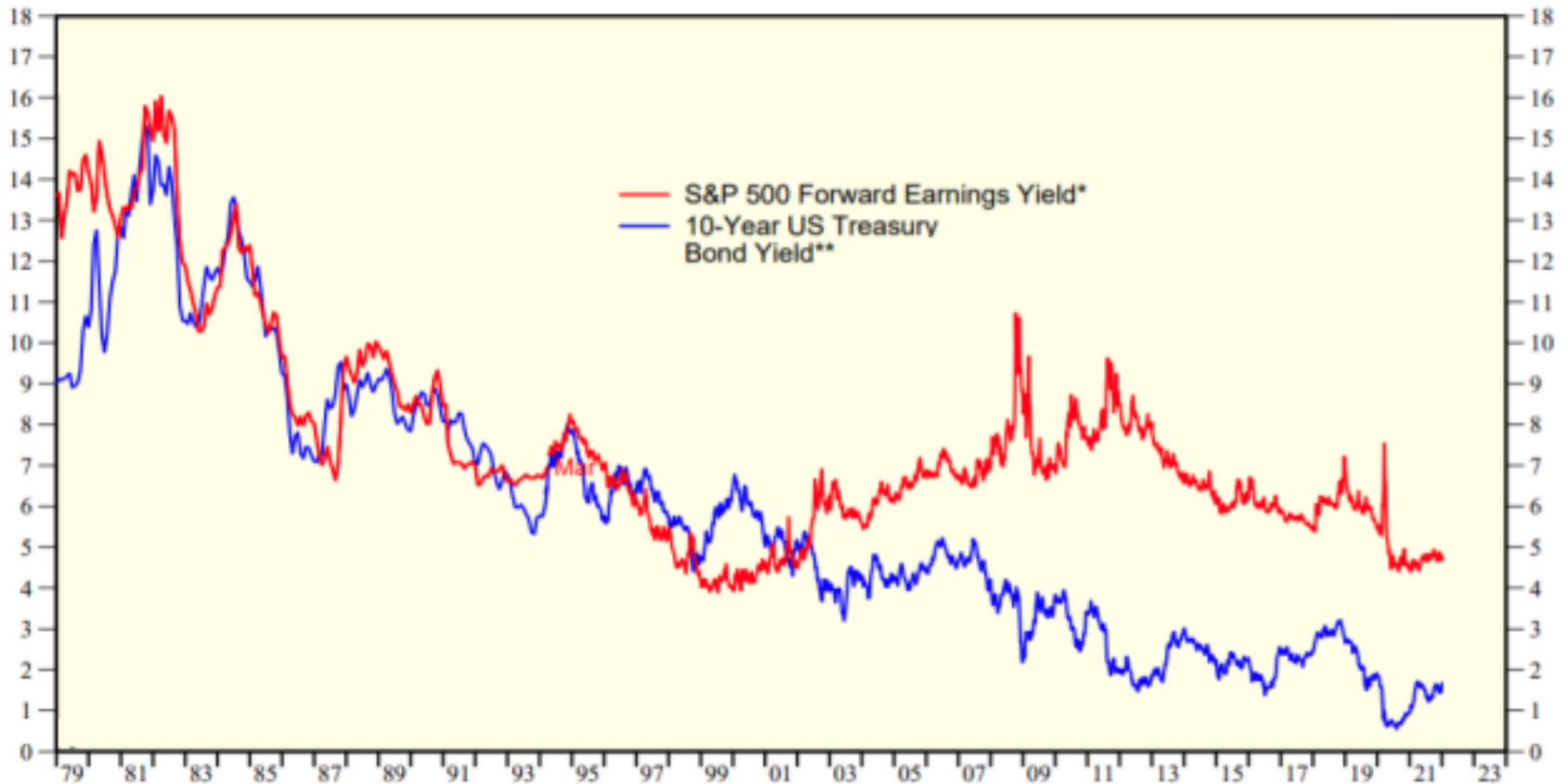


Source: Credit Suisse. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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# Stocks Appear More Attractive Than Bonds

**Exhibit D: S&P 500 Forward Earnings Yield & Nominal 10-Year Treasury Bond Yield<sup>6</sup>**



\*Year-ahead forward consensus earnings divided by S&P 500 stock price index. Monthly through March 1994, then weekly.

\*\* Monthly through March 1994, then weekly.

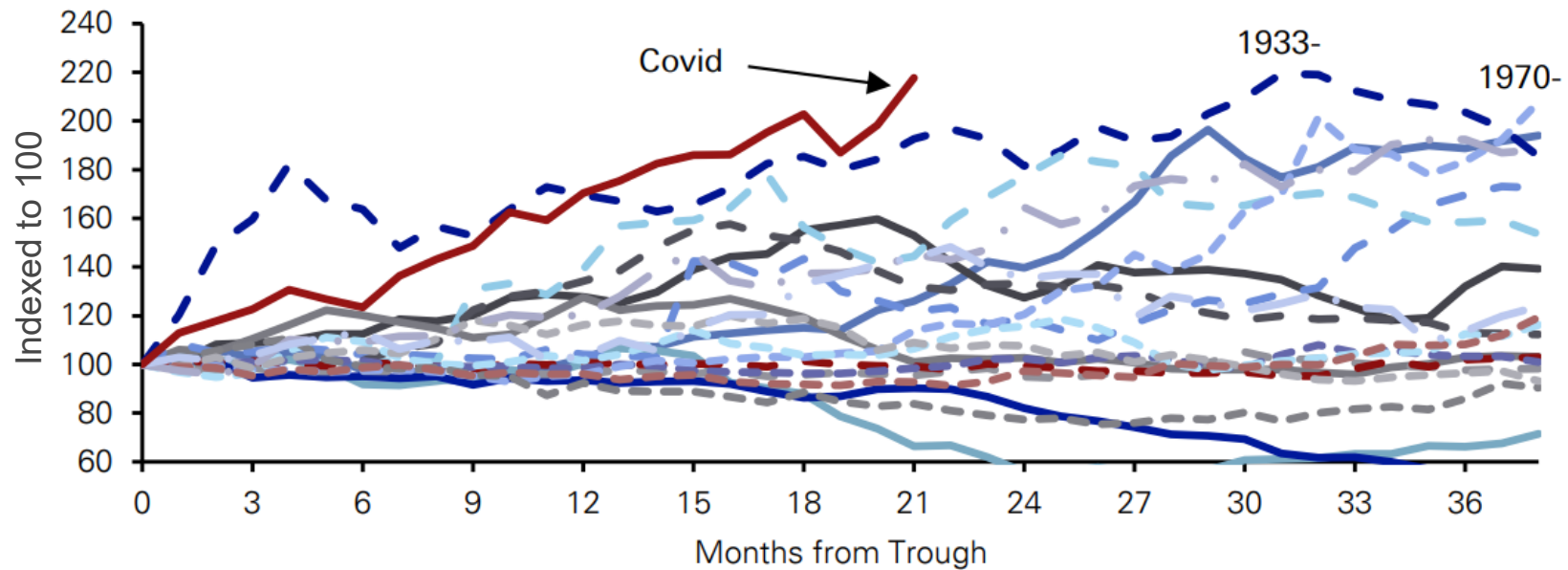
<sup>6</sup>Source Yardeni.com, IBES data by Refinitiv, FRED. Chart data covers the period December 31, 1978 through January 7, 2022

Source: Yardeni. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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# Commodity Inflation

Figure 1: Commodity index recoveries through every US business cycle since 1914

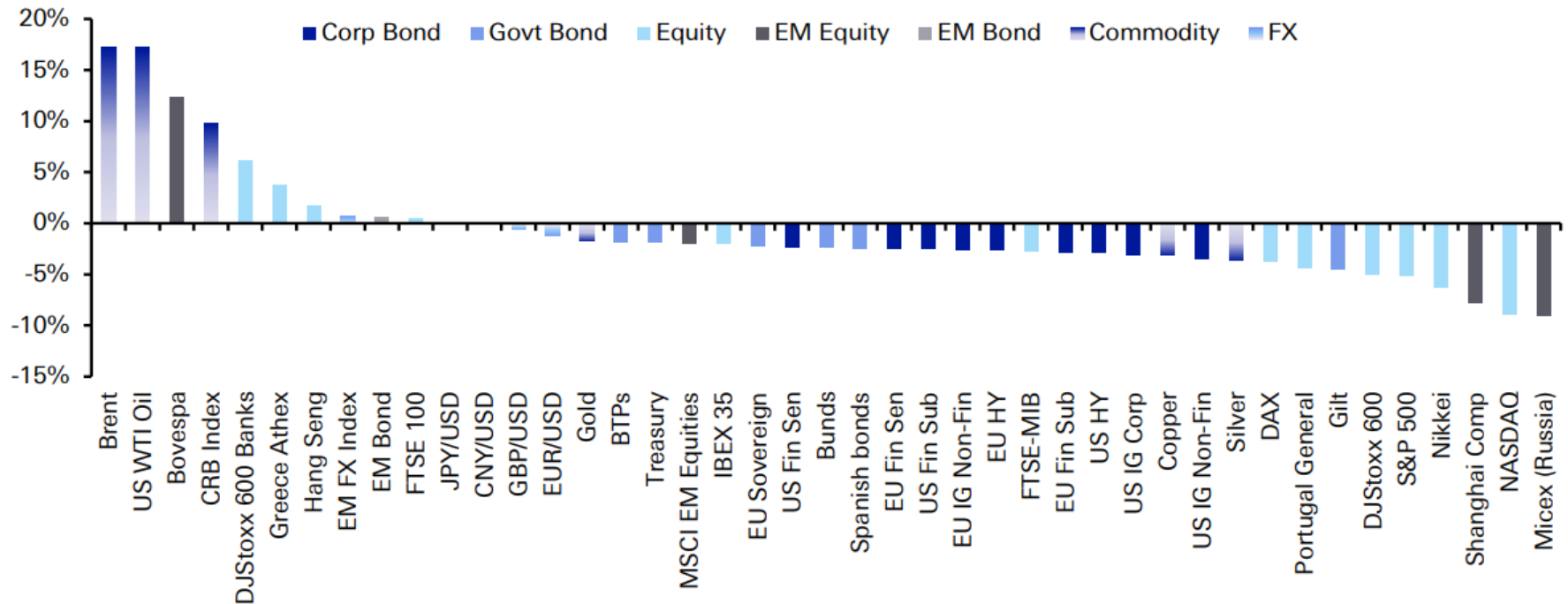


Source : Thomson Reuters Core Commodity CRB Index (with GFD extension), Deutsche Bank



# Oil Versus Tech Stocks

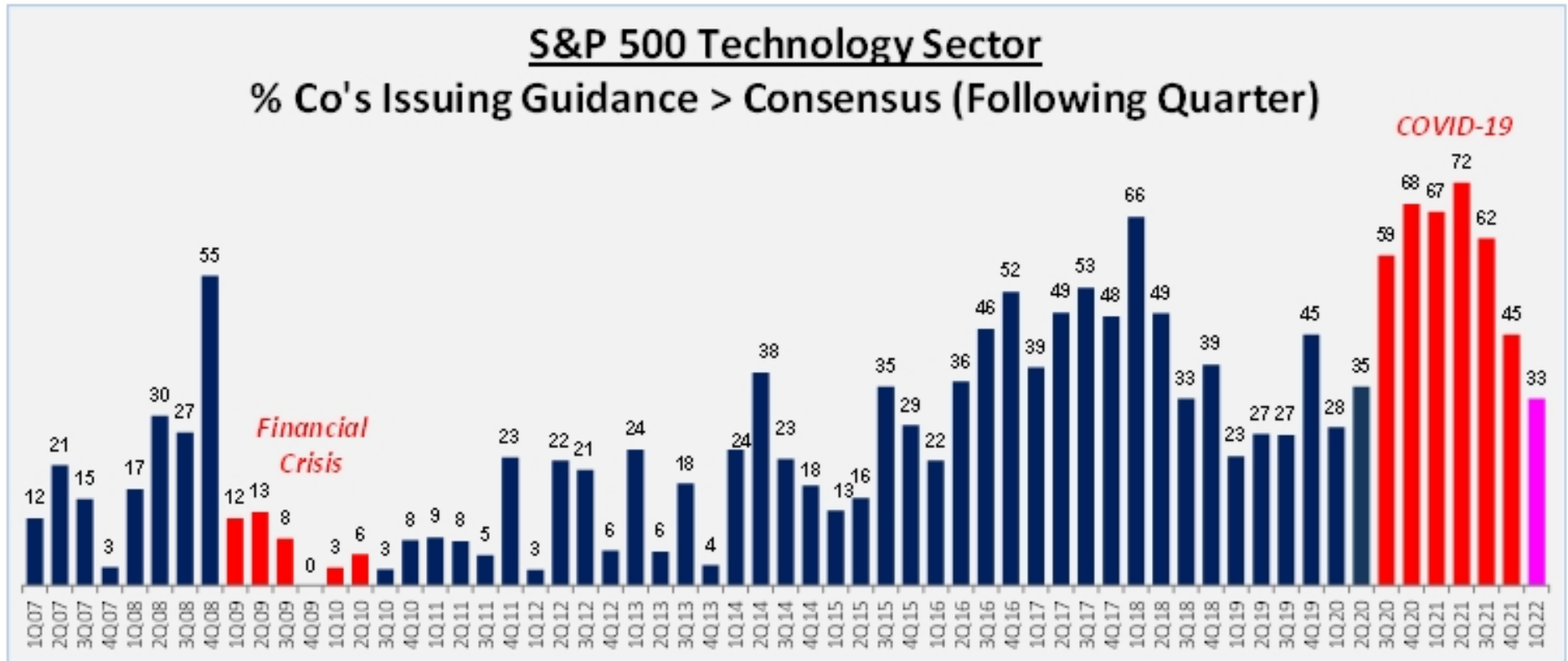
Figure 2: Total Return Performance of Major Global Financial Assets in January (in USD)



Source : Deutsche Bank, Bloomberg Finance LP, Mark-It

Source: Deutsche Bank, Bloomberg Finance LP, Mark-It. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# Beneath the Covers of Tech Softness



Source: Wolfe Research. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

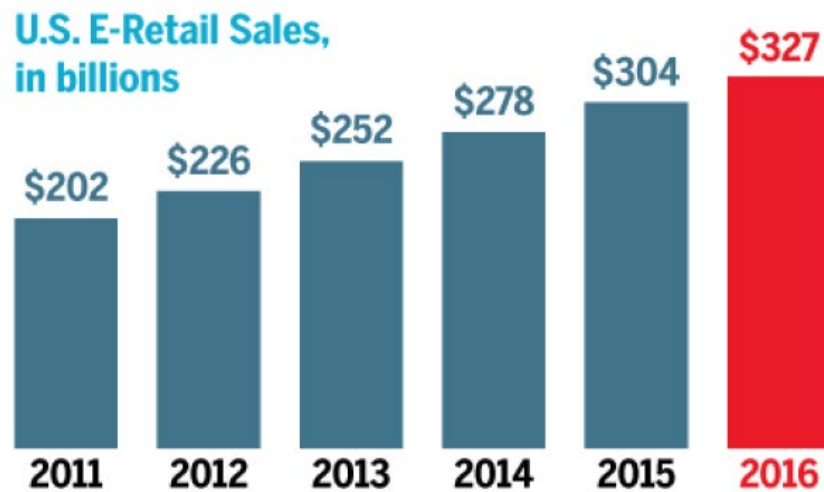
Past performance is not indicative of future results.

# Deep Dive on UPS

November 21, 2012

We added **United Parcel Services** (UPS – NYSE) to the Equity Income portfolio on September 24, 2012, at \$71.93 per share. The global leader in terms of revenues and volumes, the expedited and time-definite package delivery company began more than 100 years ago as a small courier service in Seattle delivering packages, messages, and sometimes trays of food. Today, UPS employs nearly 400,000 people around the globe, 19% of which are spread across 220 countries outside the U.S. In addition to its ubiquitous parcel delivery operation, UPS also provides a wide range of global supply chain services, heavy freight haul, as well as less-than-truckload transportation offerings. By segment, the company operates three distinct business groups: International, Domestic, and Supply Chain and Freight.

**U.S. E-Retail Sales,  
in billions**



## **U.S. E-commerce Sales: 2011-2016**

**Online consumers will  
increase their spending  
62% by 2016, according  
to Forrester Inc.**

Source: Forrester Inc.

Source: Forrester Inc. 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# UPS Today

## Four pillars framework:

- Valuation: trades at a discount to the S&P 500.
- Growth: earnings per share (EPS) growth of 9% in 2020, 47% in 2021. Earnings have risen each year we've owned the stock.
- Balance sheet: A2/A- credit rating, less than 1.5x net debt/EBITDA, operating earnings cover interest expense 22x.
- Returns: return on equity (ROE) exceeds 100%, return on invested capital (ROIC) 30%+.

## Dividends:

- 2.6% yield
- Raised dividend 12 consecutive years
- This year's increase +49% year-over-year
- Current annual dividend of \$6.08 equates to an 8.5% yield on our original purchase

## New leadership:

- CEO Carol Tome
- Better versus bigger
- 2023 financial targets to be achieved in 2022

## 2021 Results:

- Revenue +11.5% year-over-year
- Operating profit +37.7% year-over-year
- Operating cash flow +43.5% year-over-year, free cash flow (FCF) +114% year-over-year

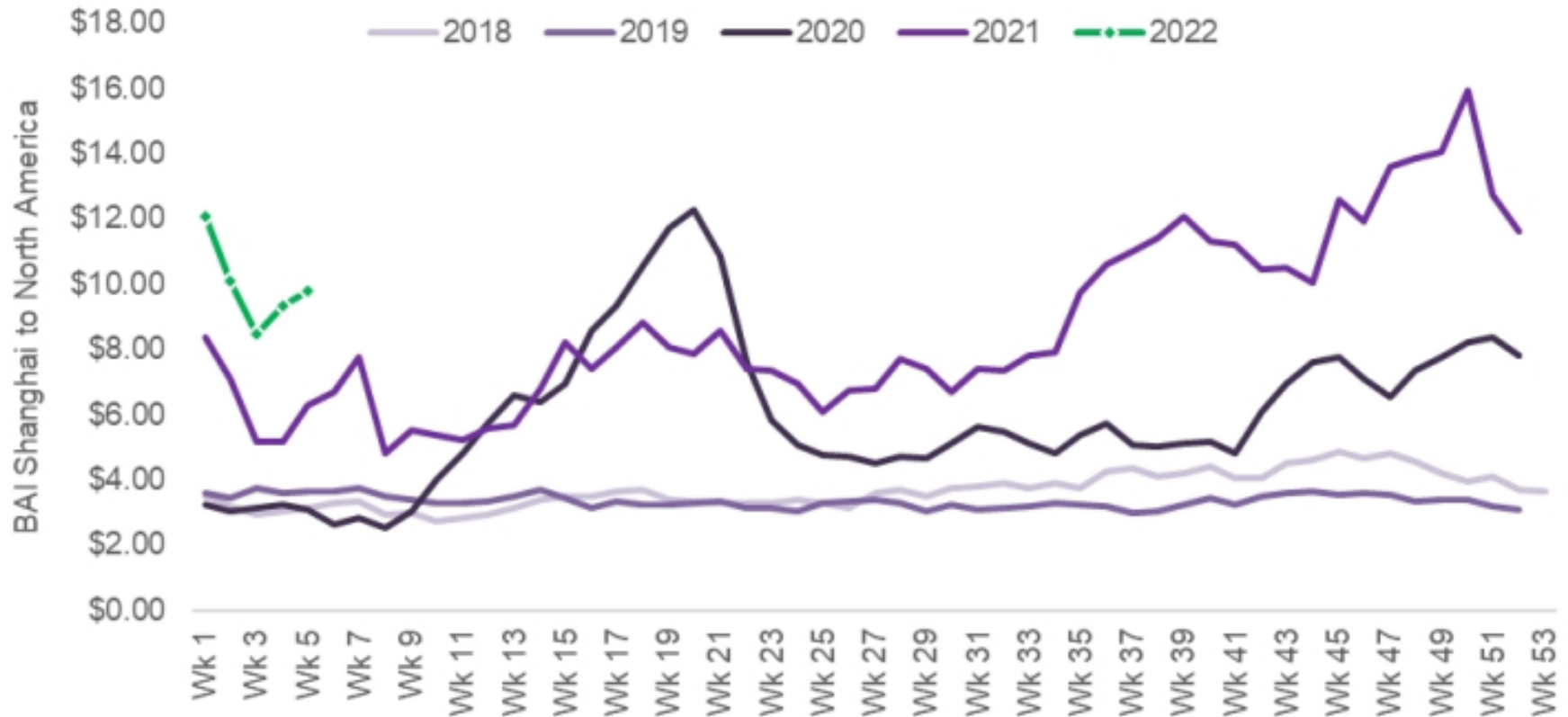


Source: UPS. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



# Key Driver of UPS Profitability

**Exhibit 4 - The Baltic Air Index (BAI) Shanghai to North America Basket continues to show significantly elevated transpacific air freight rates, which is indicative of UPS pricing power on that lane, in our view.**

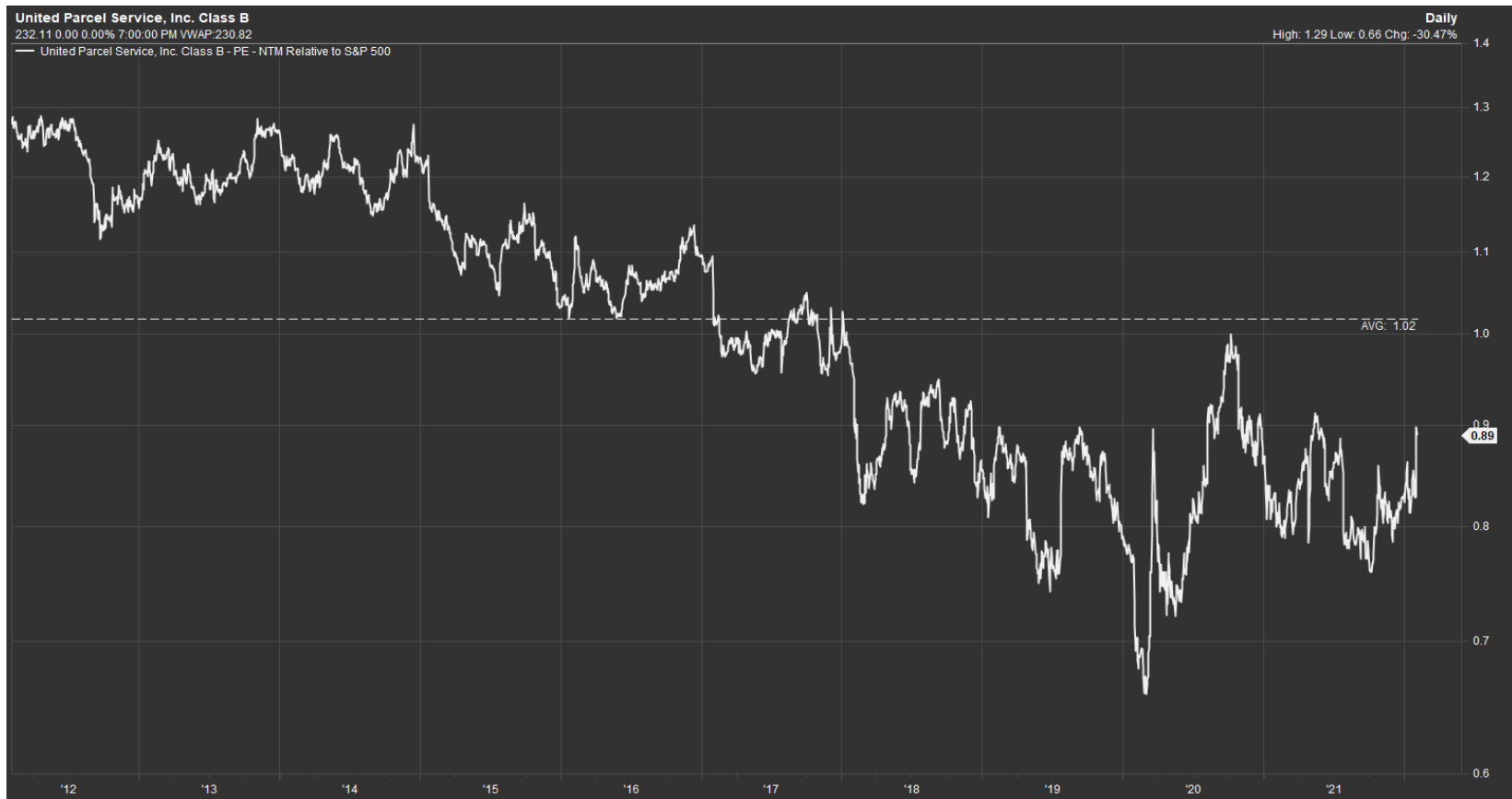


Source: Baltic Air Index (BAI). Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# UPS Progress Report

## Outcome:

- 323% total return since initial purchase
- Compares to 279% for the S&P 500 over the same time period



Source: Factset. 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# Equity Income Dividend Update

## Recent dividend actions:

- Abbott and Abbvie: 50 consecutive dividend increases
- CVS resumed increasing its dividend
- Early 2022 increases include:
  - Anthem +13% year-over-year
  - Booz Allen +16%
  - Fidelity National +21%
  - UPS +49%
- Average Equity Income constituent's dividend +14%

Ticker	Year-Over-Year Dividend Increase
ABT	4%
ABBV	9%
AC N	10%
ADI	11%
ANTM	13%
BAH	16%
CB	3%
CCI	11%
CMI	3%
CTRA	25%
CSCO	3%
CVS	10%
DFS	14%
DOX	11%
EOG	100%
FIS	21%
FMC	10%
GLW	9%
GS	60%
HD	10%
HON	5%
JNJ	5%
KO	2%
LHX	20%
MDT	9%
MMC	15%
MRK	7%
MSFT	11%
MSI	11%
NTRS	0%
PEP	5%
QSR	2%
SBUX	9%
TSN	3%
UPS	49%
VZ	2%
	14%

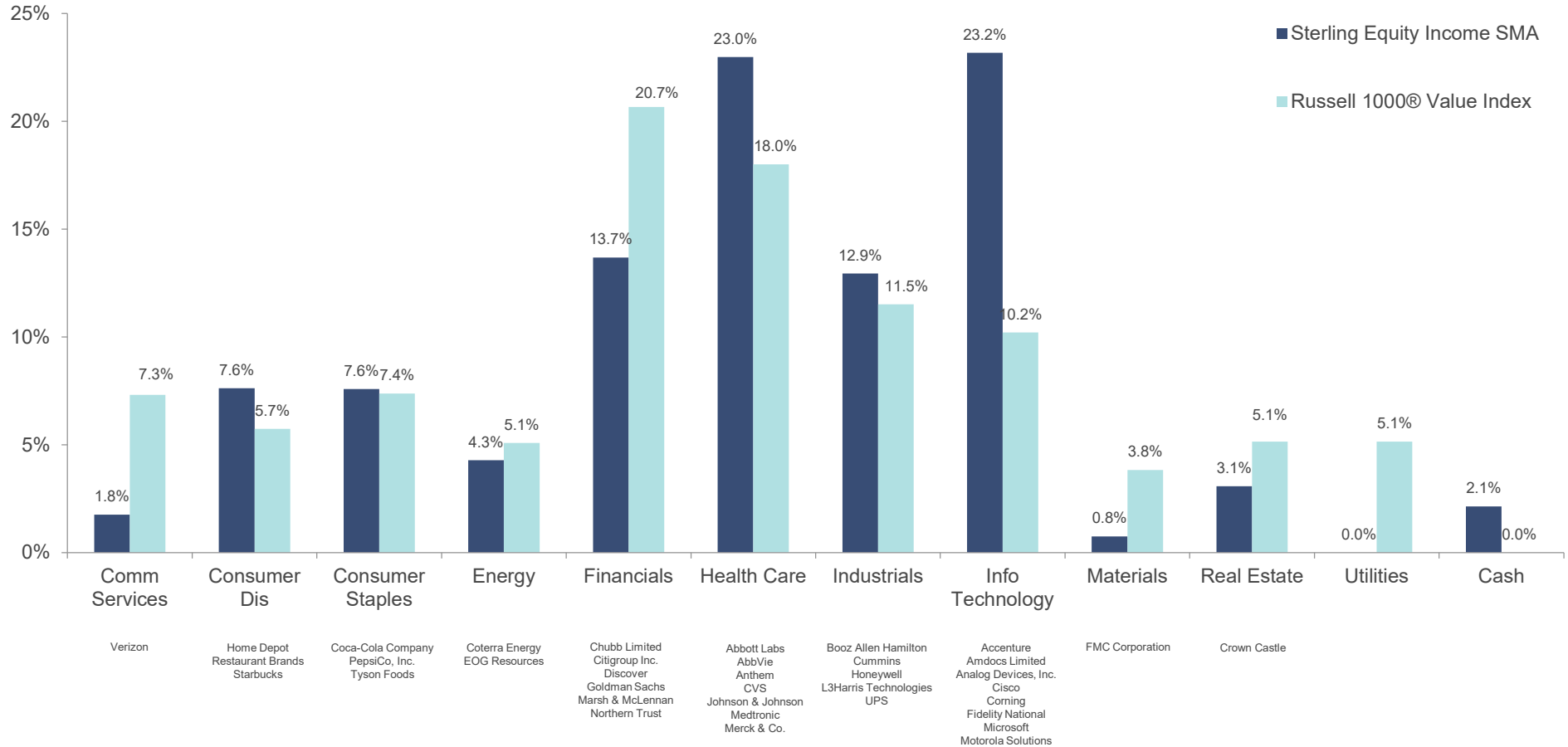
Source: Sterling Capital. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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# Equity Income SMA Positioning Overweight Healthcare and Technology

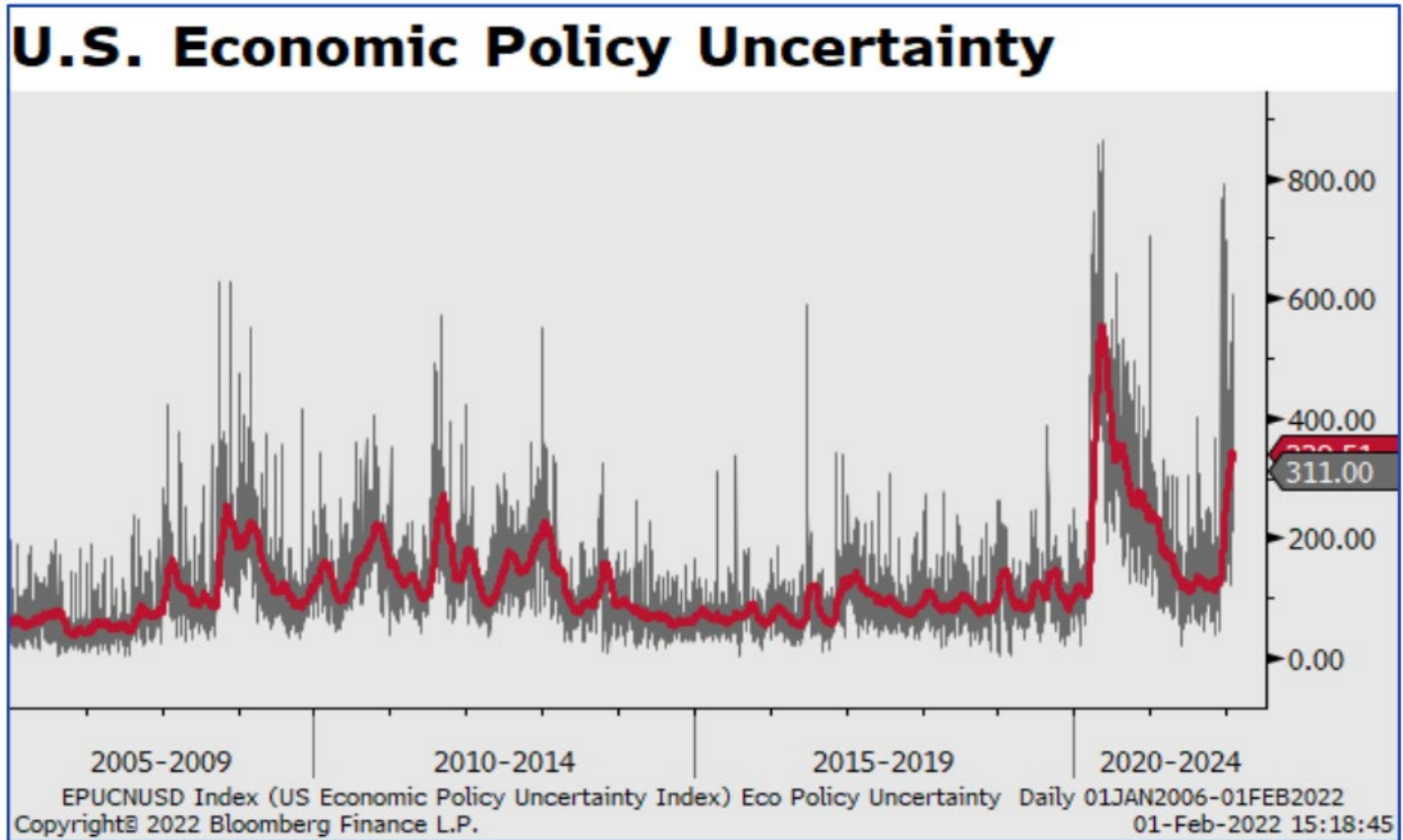
## Sterling Equity Income SMA



Data as of 12.31.2021. Totals may not equal 100% due to rounding. 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. The Portfolio Diversification is considered Supplemental Information to the GIPS Composite Report located in the Appendix. Source: Russell Investments, FactSet, Sterling Capital Management Analytics.

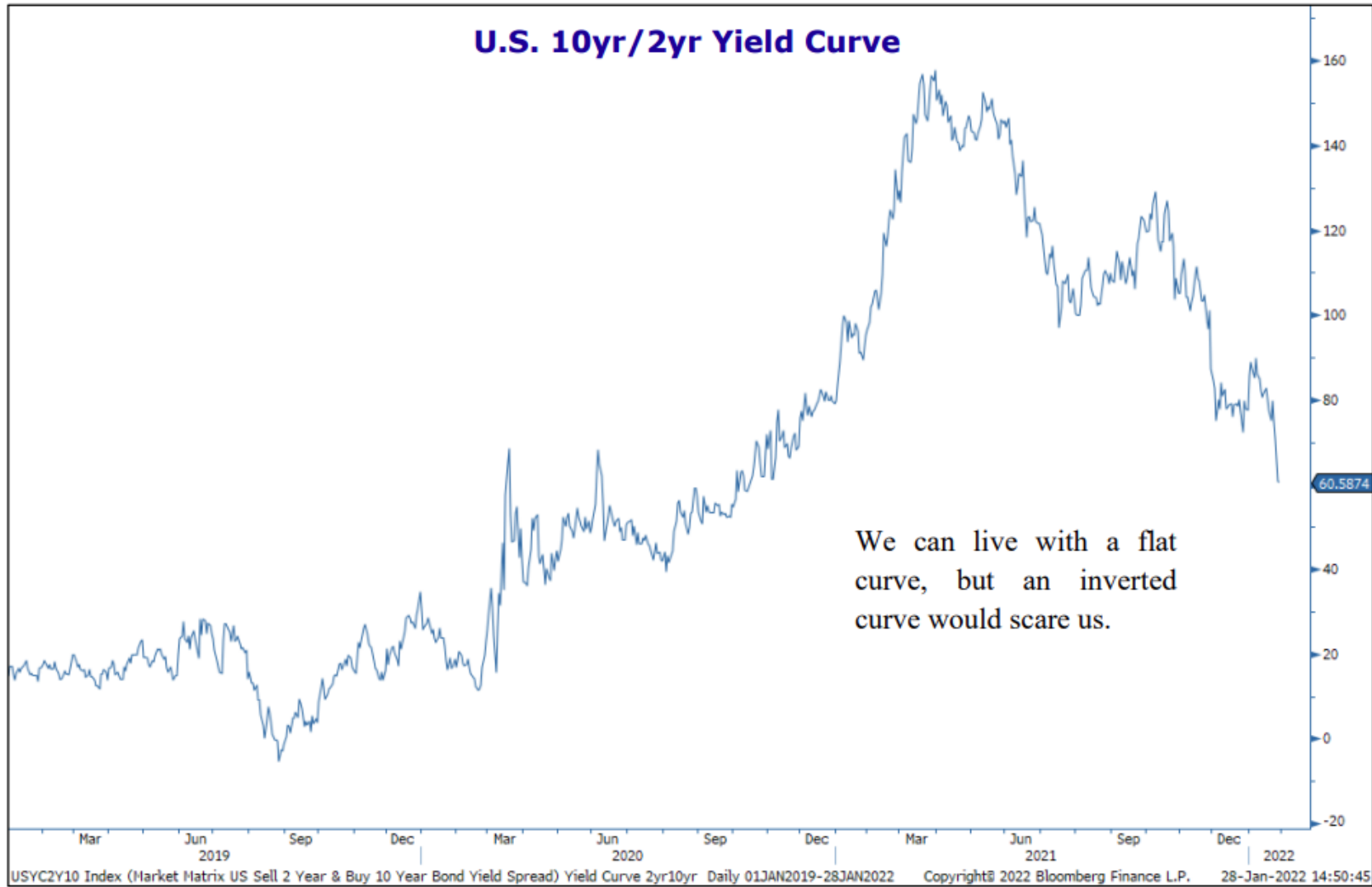


# Rising Economic Uncertainty



Source: Wolfe Research, Bloomberg. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

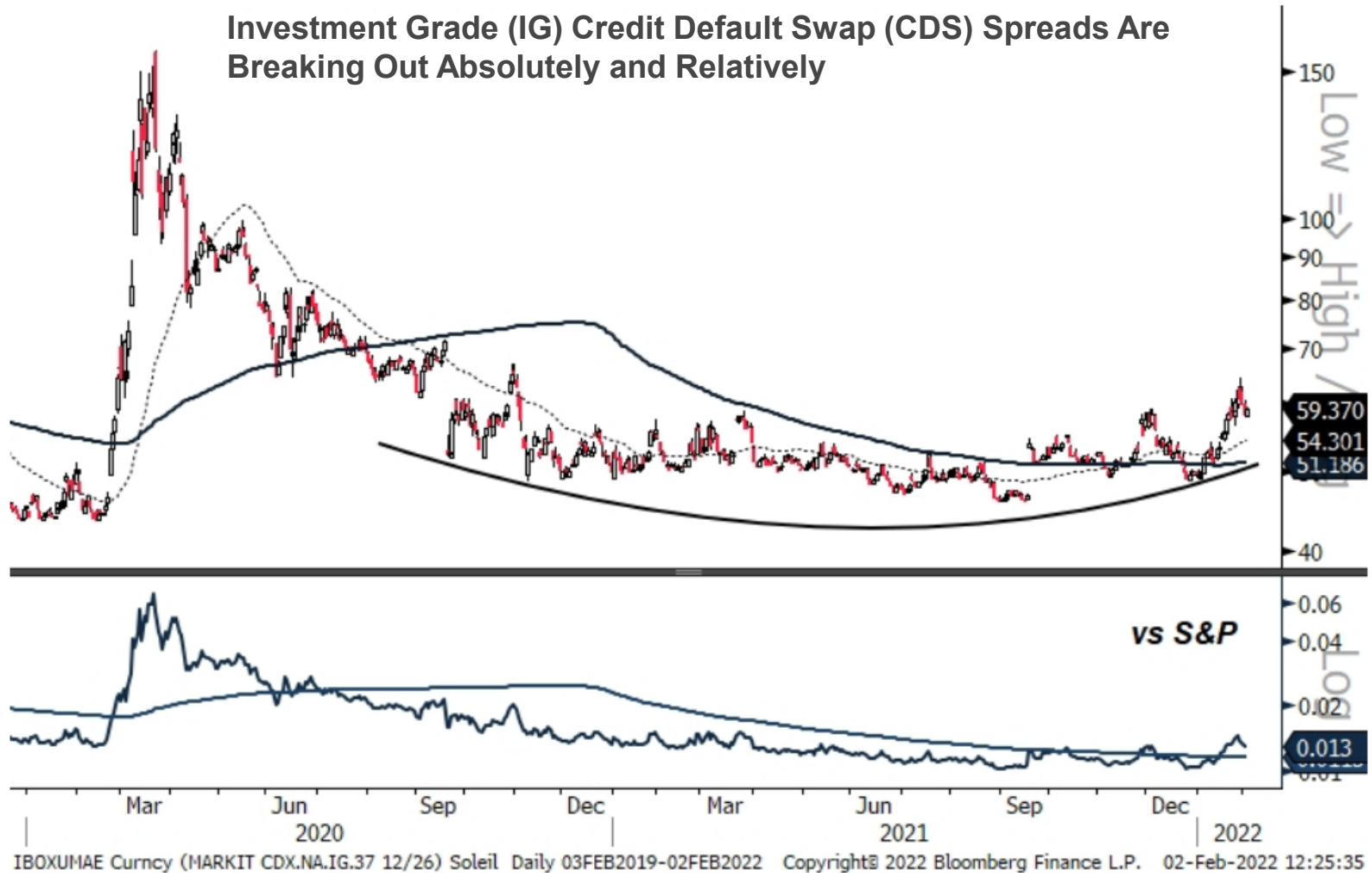
# Flattening Yield Curve



Source: Strategas. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

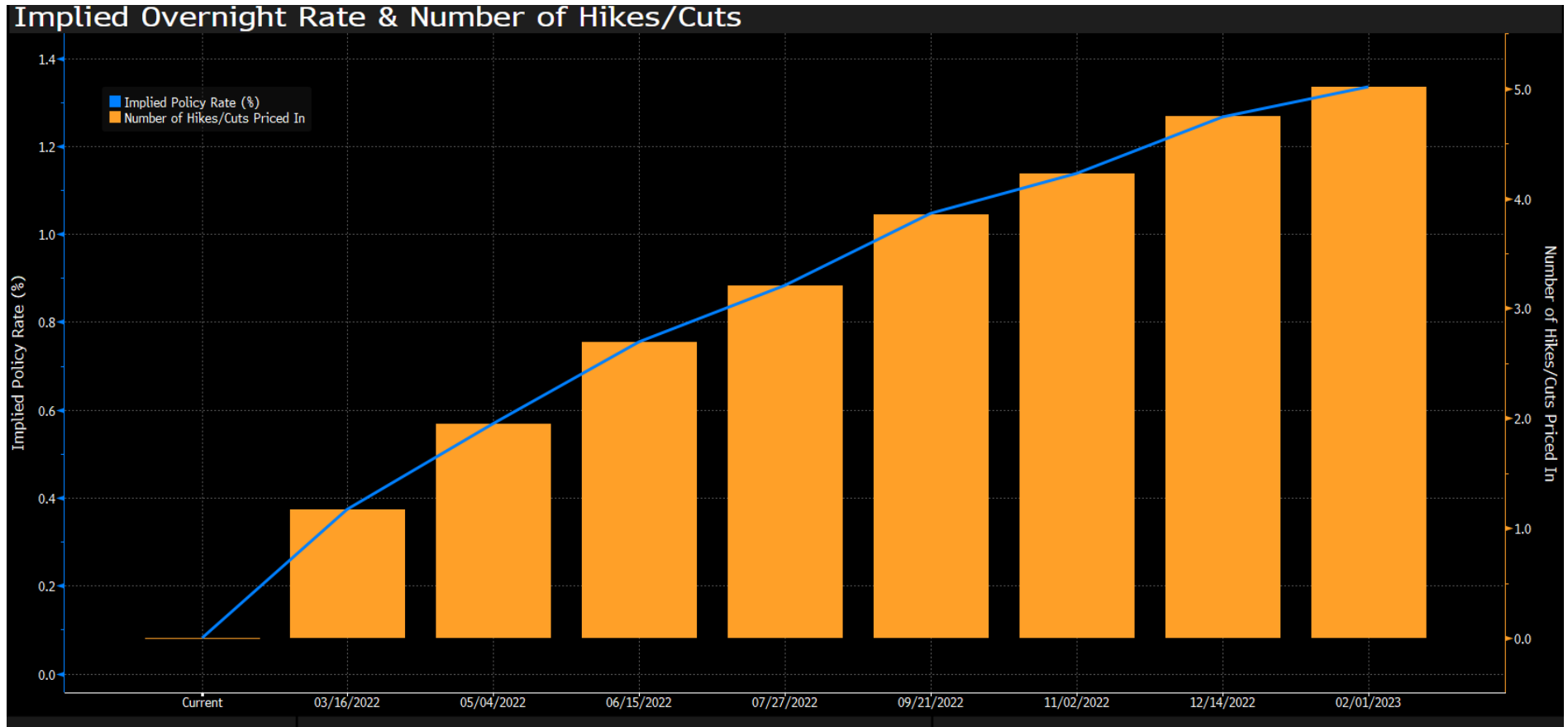
# Credit Spreads are Widening

**Investment Grade (IG) Credit Default Swap (CDS) Spreads Are Breaking Out Absolutely and Relatively**



Source: Evercore ISI. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

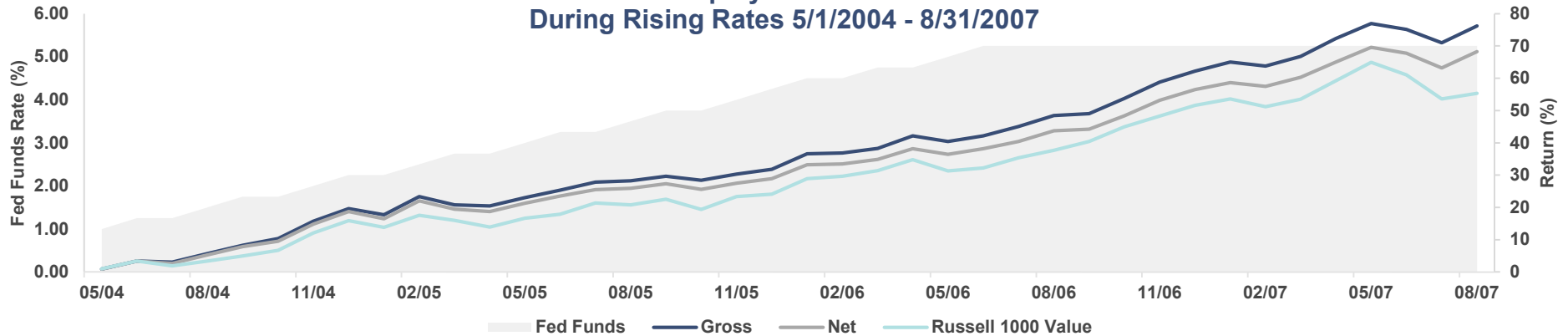
# Markets are Pricing in Over 4.5 Rate Hikes by Year End



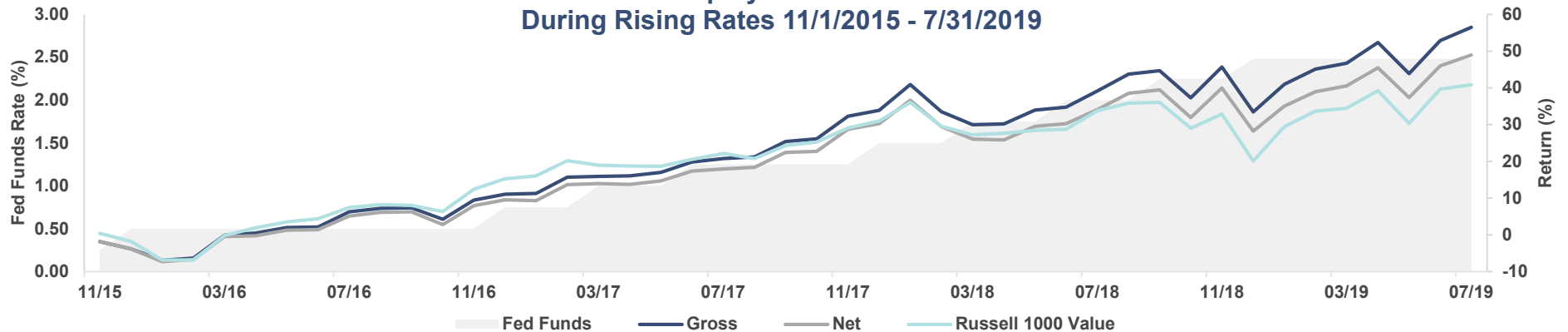
Source: Bloomberg. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# Equity Income SMA Performance in a Rising Rate Environment

**Cumulative Equity Income SMA Returns  
During Rising Rates 5/1/2004 - 8/31/2007**



**Cumulative Equity Income SMA Returns  
During Rising Rates 11/1/2015 - 7/31/2019**



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 located in the Appendix. Source: Sterling Capital Analytics, Russell.

# Taking Price

**Microsoft:** In August Microsoft announced new commercial pricing for its Office 365 suite up double digits from previous rates

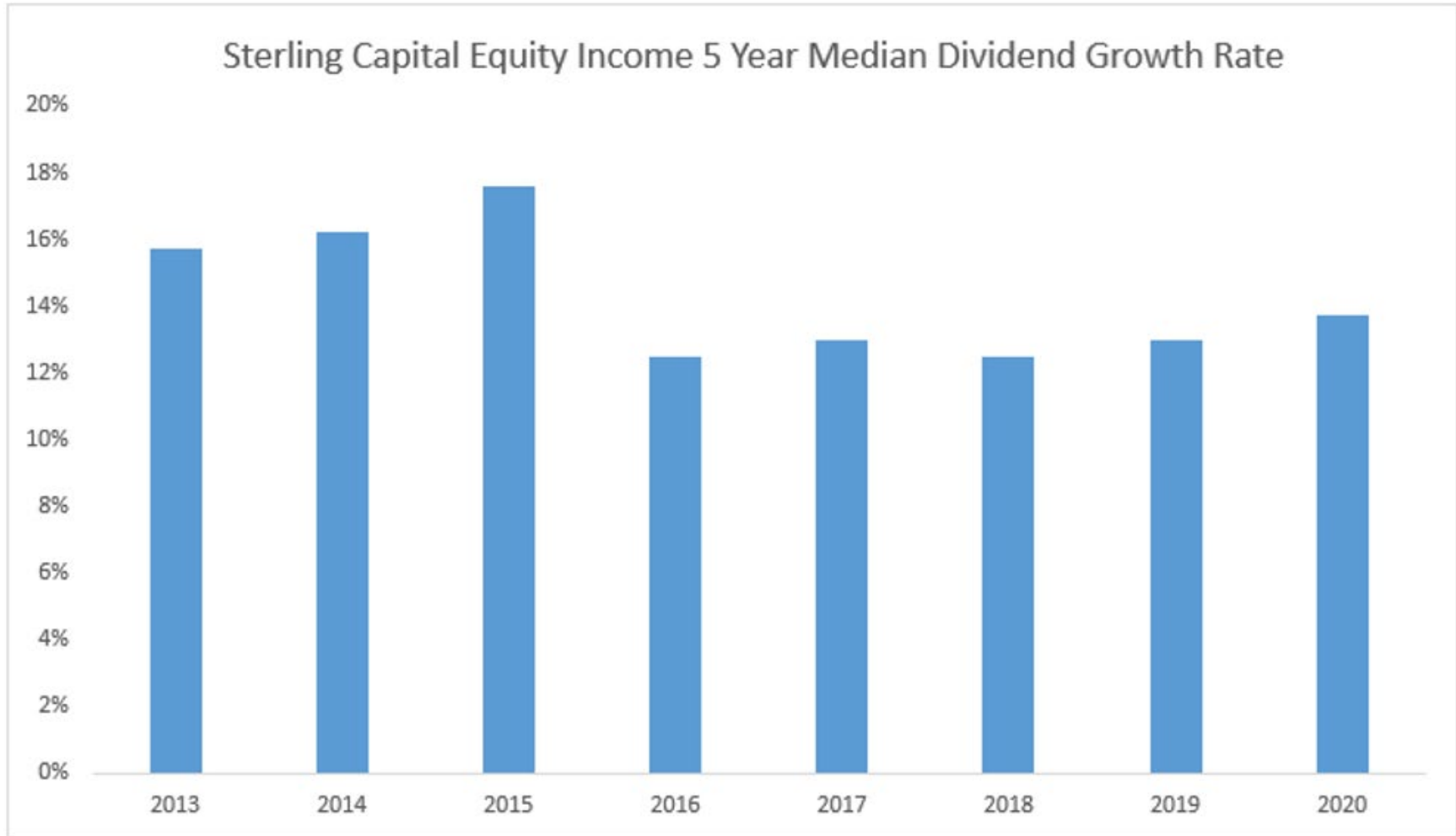
**Starbucks:** The company has raised prices in October 2021, January 2022, and guided for additional price actions in 2022

**Chubb:** Across its North American commercial lines, prices increased 11%

**UPS:** Revenue per piece as up greater than 10% in the fourth quarter

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# Consistent Double-Digit Dividend Growth

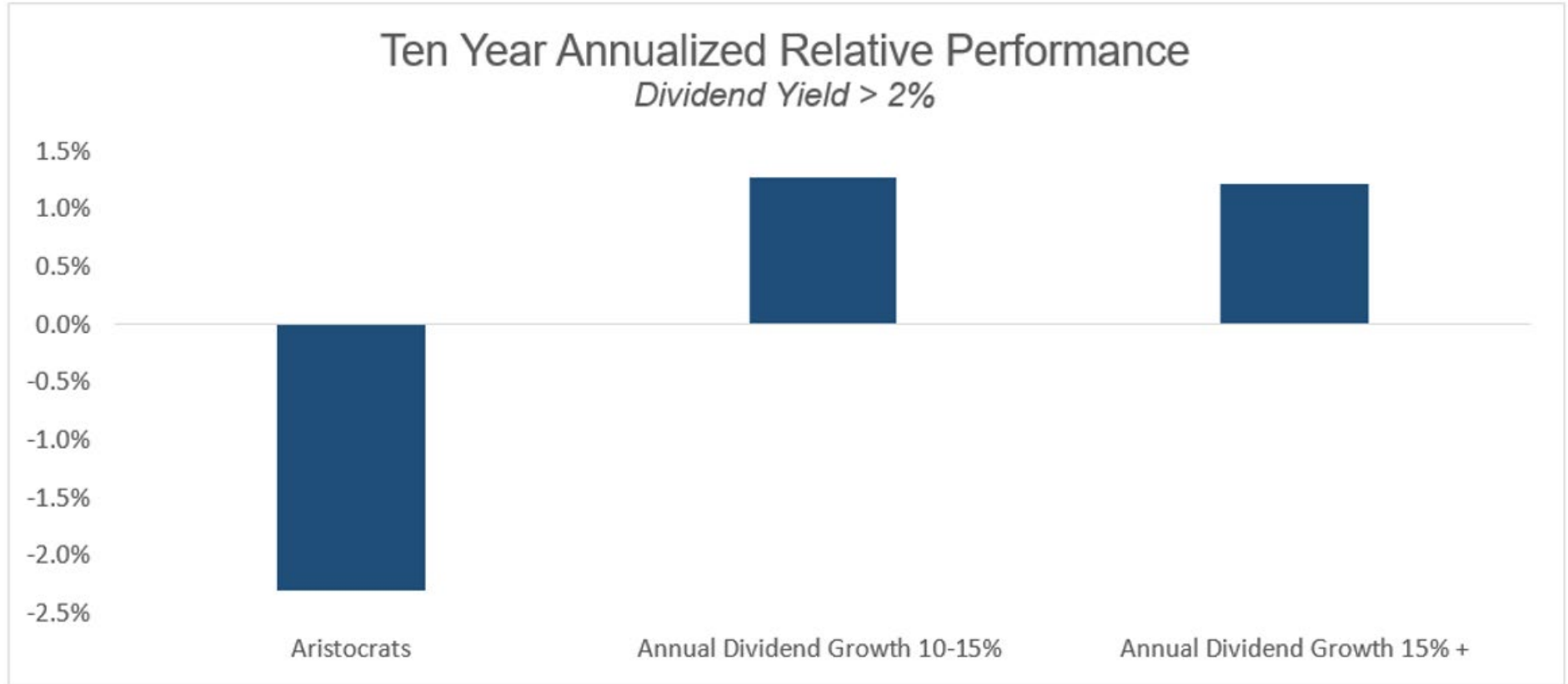


Source: Factset, at year end. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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# Focus on Dividend Growth

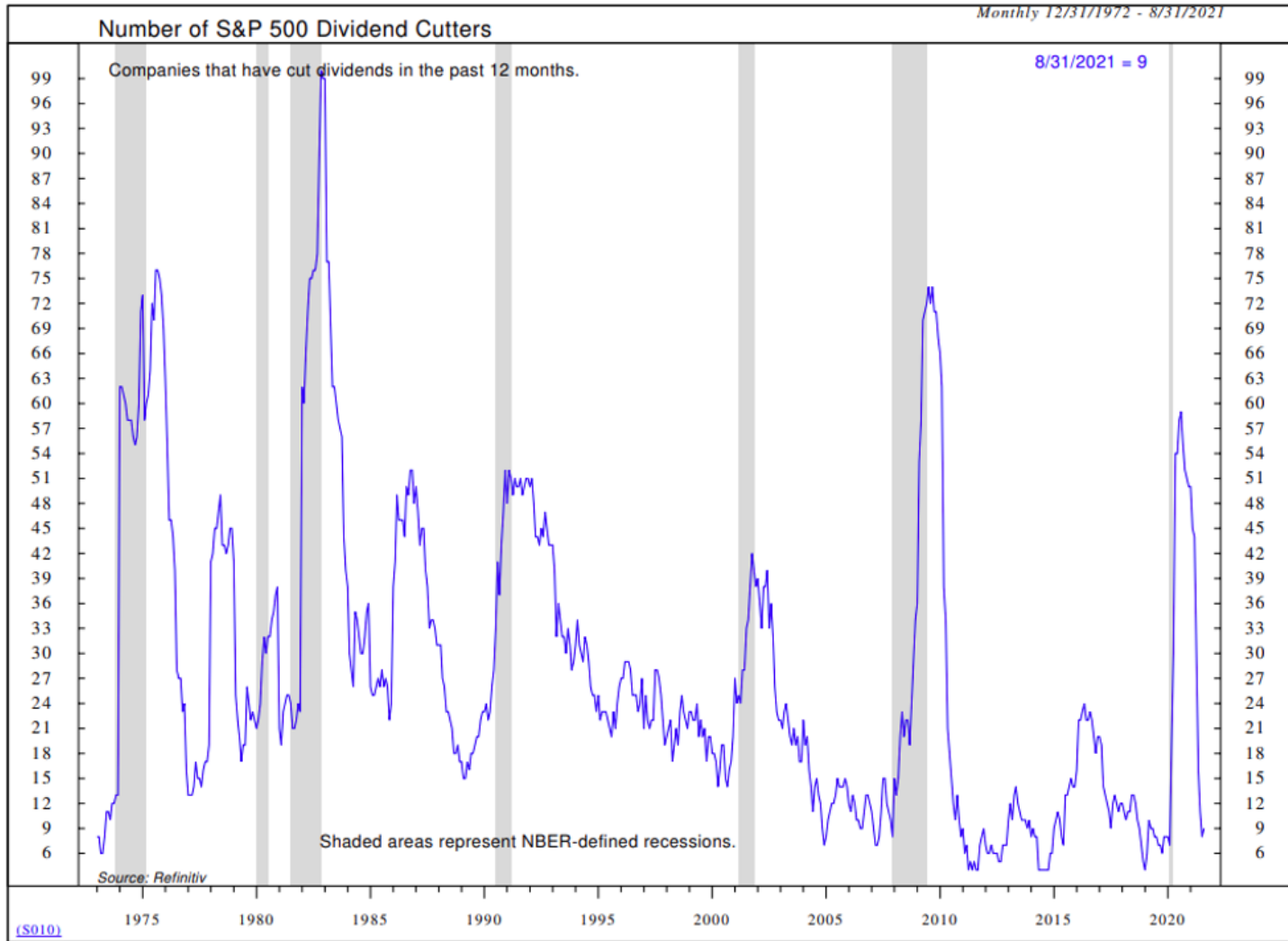


Source: Bloomberg. As of 06.30.2011-06.30.2021. Dividend Aristocrats and Russell 1000 Value members at time with stated annual dividend growth rates, benchmarked versus the S&P 500. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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# Vigilance Regarding Potential Dividend Cuts



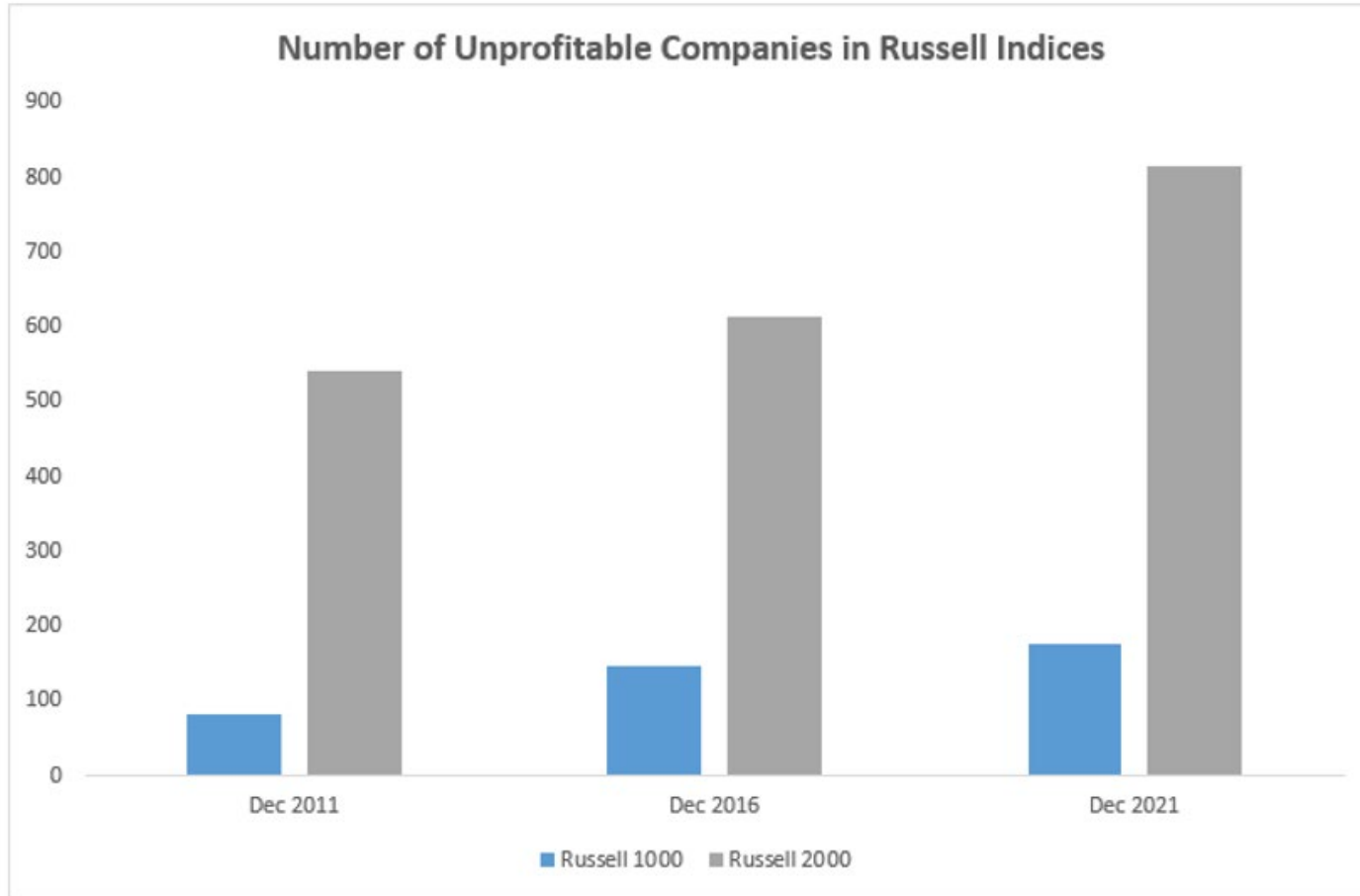
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Source: Ned Davis Research. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



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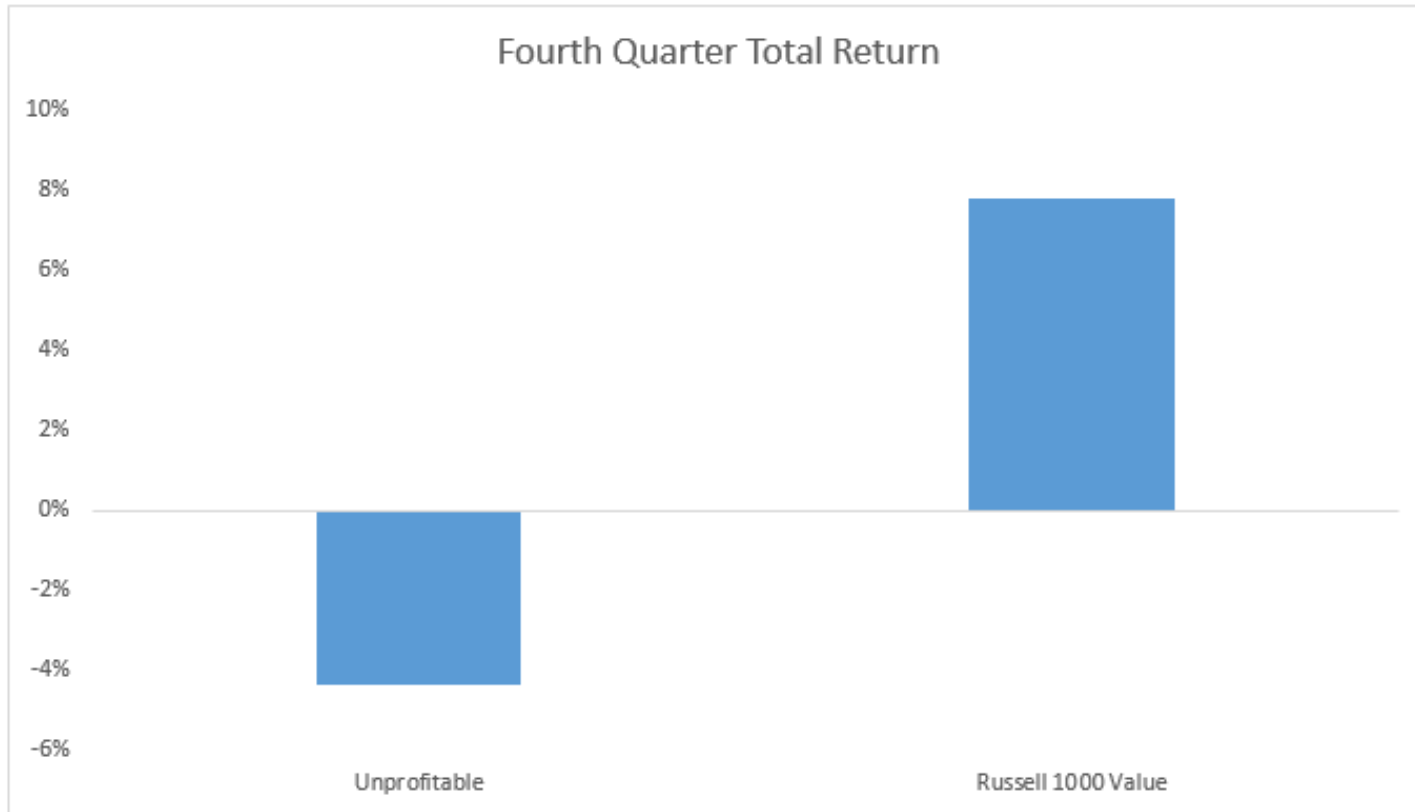
# We Have Noted the Rising Number of Unprofitable Companies



Source: Bloomberg, profitability over the last 12 months. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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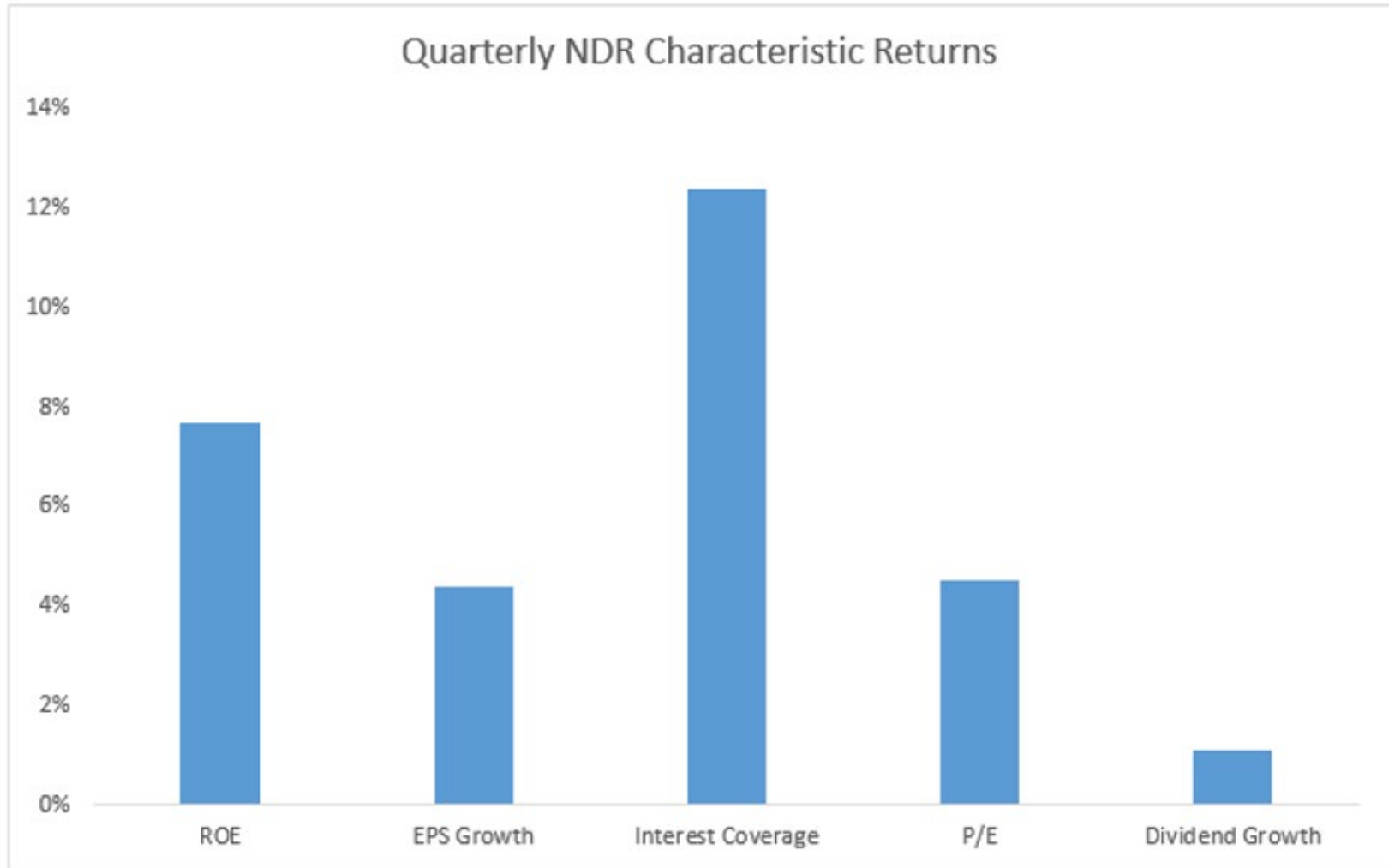
# Unprofitable was Challenged in 4Q21



Source: Bloomberg. Unprofitable Companies over the past trailing 12 months equally weighted. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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## While Our Investment Pillars Performed Well



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# Fourth Quarter ESG-Related Highlights

**CVS Health:** At their 2021 Investor Day, management highlighted their 2021 ESG commitment and accomplishments including:

- Pledged to use 50% renewable energy by 2040.
- Working on 100% of store-branded packaging to be recyclable by 2030.
- CVS Health was named to the Dow Jones Sustainability Index for the ninth straight year.
- The company recycled over one million pounds of unused medication.

**Medtronic:** The company hosted an ESG investor day that featured:

- Its pledge to be carbon neutral by 2030.
- Its Product Stewardship Center is looking to reduce packaging waste in high volume items by 25% by 2025.
- Answered questions from investors on how they are integrating ESG targets with financial goals.

**Cummins:** We interfaced with management at a Credit Suisse conference to get an update on:

- Their New Power initiative and investment in hydrogen power relative to electric.
- What markets they were targeting with their electrolyzer strategy, notably back up power.

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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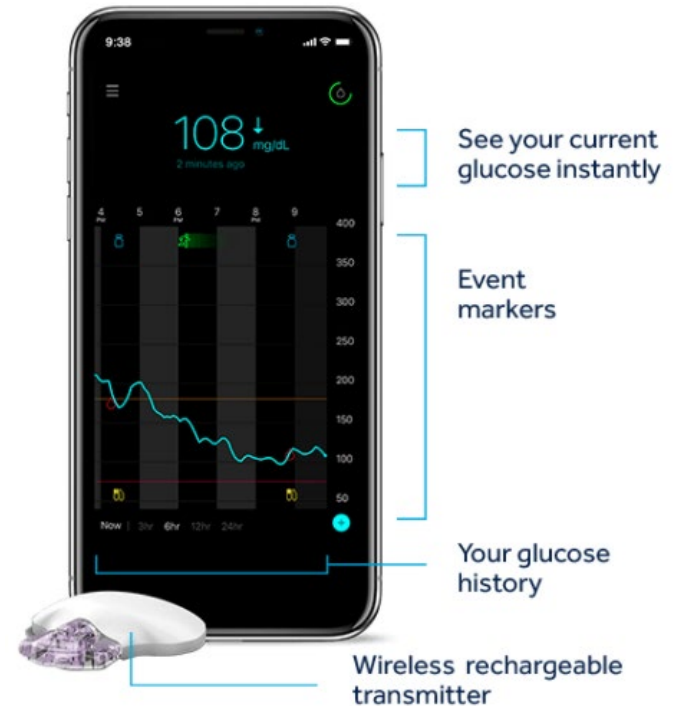


# Secular Theme: Health Tech

## Abbott FreeStyle Libre

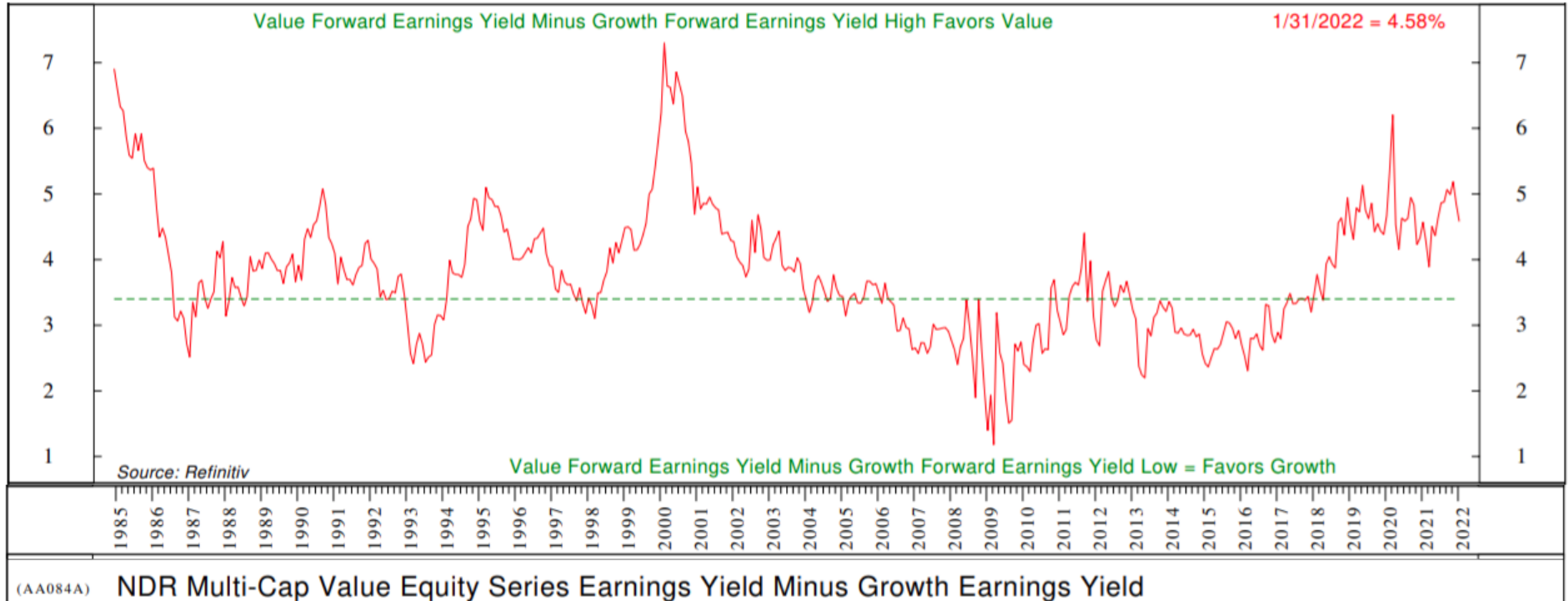


## Medtronic Guardian Connect



Source: Abbott, Medtronic. 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. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# Value Appears Cheap Versus Growth



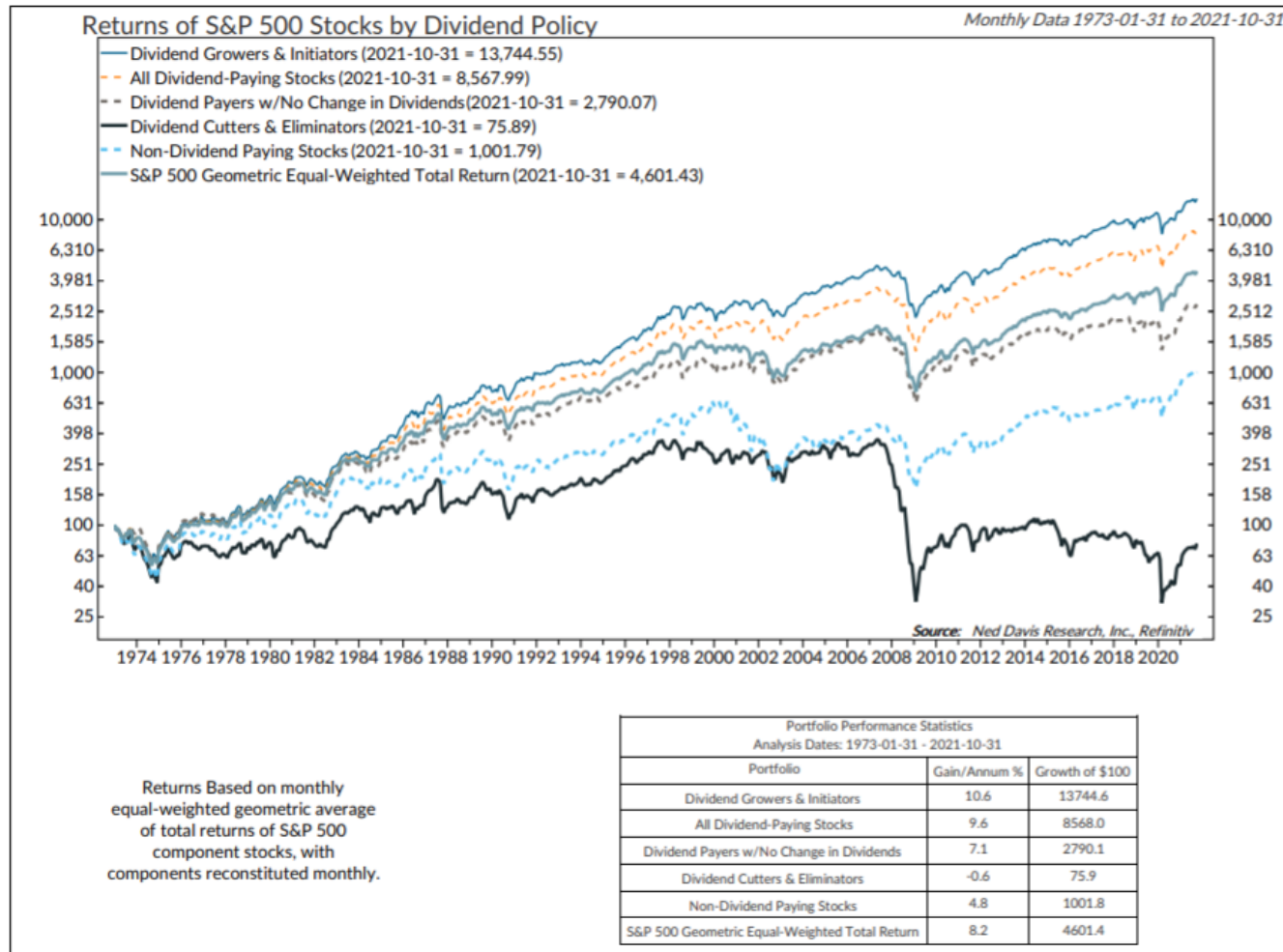
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# Dividend Growers – A Historically Strong Cohort



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# Appendix

# Important Information

## Indices

**The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index.**

**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.

**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 Midcap 400® Index** provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

**The S&P 500® Growth Index** measures growth stocks using three factors: sales growth, the ratio of earnings change to price, and momentum. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500®.

**The S&P 500® Value Index** measures value stocks using three factors: the ratios of book value, earnings, and sales to price. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500®.

**The S&P SmallCap 600® Index** seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

**The S&P 500 Dividend Aristocrats**, also known as the Dividend Aristocrats, is an exclusive index within the Standard and Poor's 500 that was launched in 2005. It contains companies that increased their dividend payouts for over 25 consecutive years. It is a high-performance index and consists of approximately 60 large-cap stocks over a wide variety of sectors and is often considered an attractive index to invest in, as it includes many stable growth-oriented stocks.

# Important Information

## Disclosures

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. **Price Earnings Ratio (P/E)**: the relationship between a company's stock price and earnings per share (EPS). 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). **Return on Equity (ROE)**: the measure of a company's annual return (net income) divided by the value of its total shareholders' equity, expressed as a percentage. **Free Cash Flow (FCF)**: measures a company's financial performance. It shows the cash that a company can produce after deducting the purchase of assets such as property, equipment, and other major investments from its operating cash flow. **ESG**: ESG is the acronym for Environmental, Social, and (Corporate) Governance, the three broad categories, or areas, of interest for what is termed "socially responsible investors." They are investors who consider it important to incorporate their values and concerns (such as environmental concerns) into their selection of investments – as opposed to simply considering the potential profitability and/or risk presented by an investment opportunity. **Net Debt to EBITDA**: The net debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio measures financial leverage and a company's ability to pay off its debt. Essentially, the net debt to EBITDA ratio (debt/EBITDA) gives an indication as to how long a company would need to operate at its current level to pay off all its debt. **Return on Invested Capital (ROIC)**: a profitability or performance ratio that aims to measure the percentage return that a company earns on invested capital. The ratio shows how efficiently a company is using the investors' funds to generate income. **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 Yield**: a financial ratio that measures the annual value of dividends received relative to the market value per share of a security. In other words, the dividend yield formula calculates the percentage of a company's market price of a share that is paid to shareholders in the form of dividends. (Technical definitions are sourced from Corporate Finance Institute and Investopedia.)

**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).

**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.

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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## Sterling Capital Management – Equity Income SMA Composite

December 31, 2000 – December 31, 2020

**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.

	Total Return "Pure"	Total Return	No. of	Composite Assets End of Period	Total Firm Assets	Composite Dispersion (%)	Russell 1000 Value	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
<u>Year</u>	<u>Gross of Fees</u>	<u>Net of Fees</u>	<u>Portfolios</u>	<u>(\$MM)</u>	<u>(\$MM)</u>				
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
2011	10.24	8.54	2	1,159	3,932	Not Meaningful	0.39	14.88	20.98
2010	15.64	13.87	2	992	3,548	Not Meaningful	15.51	17.82	23.51
2009	18.92	17.05	2	811	2,839	Not Meaningful	19.69	16.17	21.40
2008	-26.17	-27.26	2	620	1,907	Not Meaningful	-36.85	13.18	15.58
2007	9.20	7.66	1	668	2,059	Not Meaningful	-0.17	6.52	8.17
2006	23.09	21.35	1	442	1,314	Not Meaningful	22.25	6.00	6.78
2005	10.19	8.63	1	263	904	Not Meaningful	7.05	9.51	9.59
2004	23.23	21.39	1	128	522	Not Meaningful	16.49	12.76	14.97
2003	31.36	29.24	1	31	158	Not Meaningful	30.03	12.94	16.22
2002	-12.34	-13.78	1	15	51	Not Meaningful	-15.52		
2001	5.76	4.46	1	4	24	Not Meaningful	-5.59		

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 12/31/19. 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.

### 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. George F. Shipp, CFA, has managed the portfolio since inception. No alterations of composites, as presented herein, have occurred due to changes in personnel or other reasons at any time.
3. 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.
4. 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.
5. "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. 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.
6. The annual composite dispersion presented is measured by an asset-weighted standard deviation calculation method of all portfolios in the composite for the entire year, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36 month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.
7. The performance presented represents past performance and is no guarantee of future results. Stock market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions.