

# 1<sup>st</sup> Quarter 2022 Market Review:

Equity Income SMA

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- 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.
- 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 Q1.2022 performance, activity and positioning
- Equity market and macro environment review
- Equity market outlook
- Frequently asked questions



**Adam B. Bergman, CFA®**  
Executive Director  
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**Charles J. Wittmann, CFA®**  
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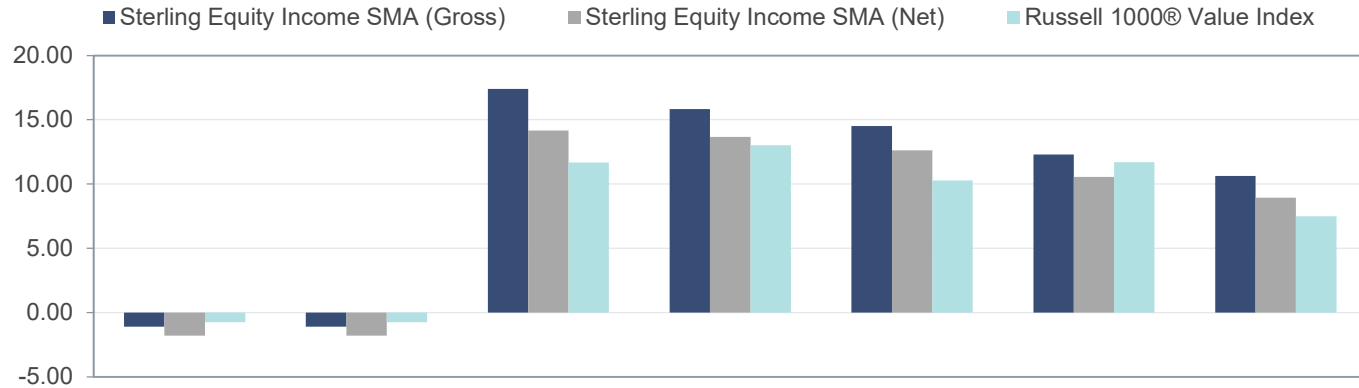


**Whitney L. Stewart, CFA®**  
Executive Director  
Client Portfolio Manager

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# Performance

## Sterling Equity Income SMA



Performance	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception <sup>1</sup>
Sterling (Gross)	-1.11%	-1.11%	17.40%	15.84%	14.50%	12.30%	10.63%
Sterling (Net) <sup>2</sup>	-1.80%	-1.80%	14.17%	13.67%	12.62%	10.54%	8.94%
Russell 1000® Value	-0.74%	-0.74%	11.67%	13.02%	10.29%	11.70%	7.50%

<sup>1</sup>Inception date is 12.31.2000.

<sup>2</sup>The maximum bundled external platform fee is 2.82%. Actual fees may vary by size and type of portfolio.

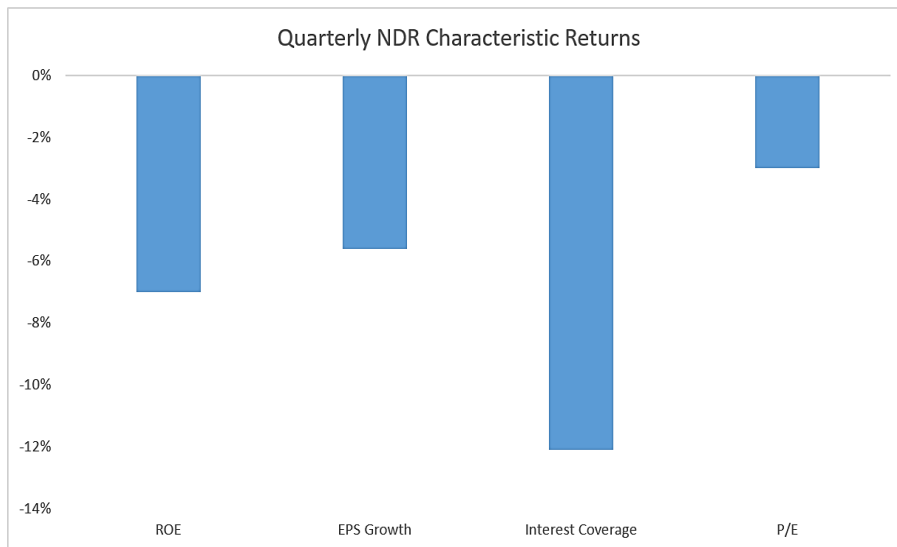
Data as of 03.31.2022. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the maximum SMA bundled fee which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative 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. The Performance is considered Supplemental Information to the GIPS Composite Report located in the APPENDIX. Source: Russell Investments, S&P, Sterling Capital Management Analytics.

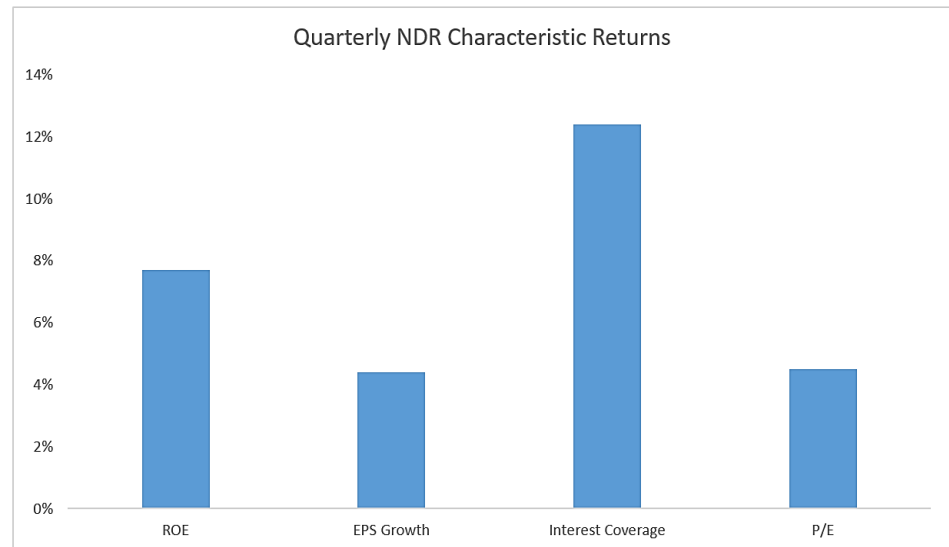


# Quarterly Pillar Performance

1Q22



4Q21



ROE = return on equity. EPS = earnings per share. P/E = price to earnings.

Source: Ned Davis 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.

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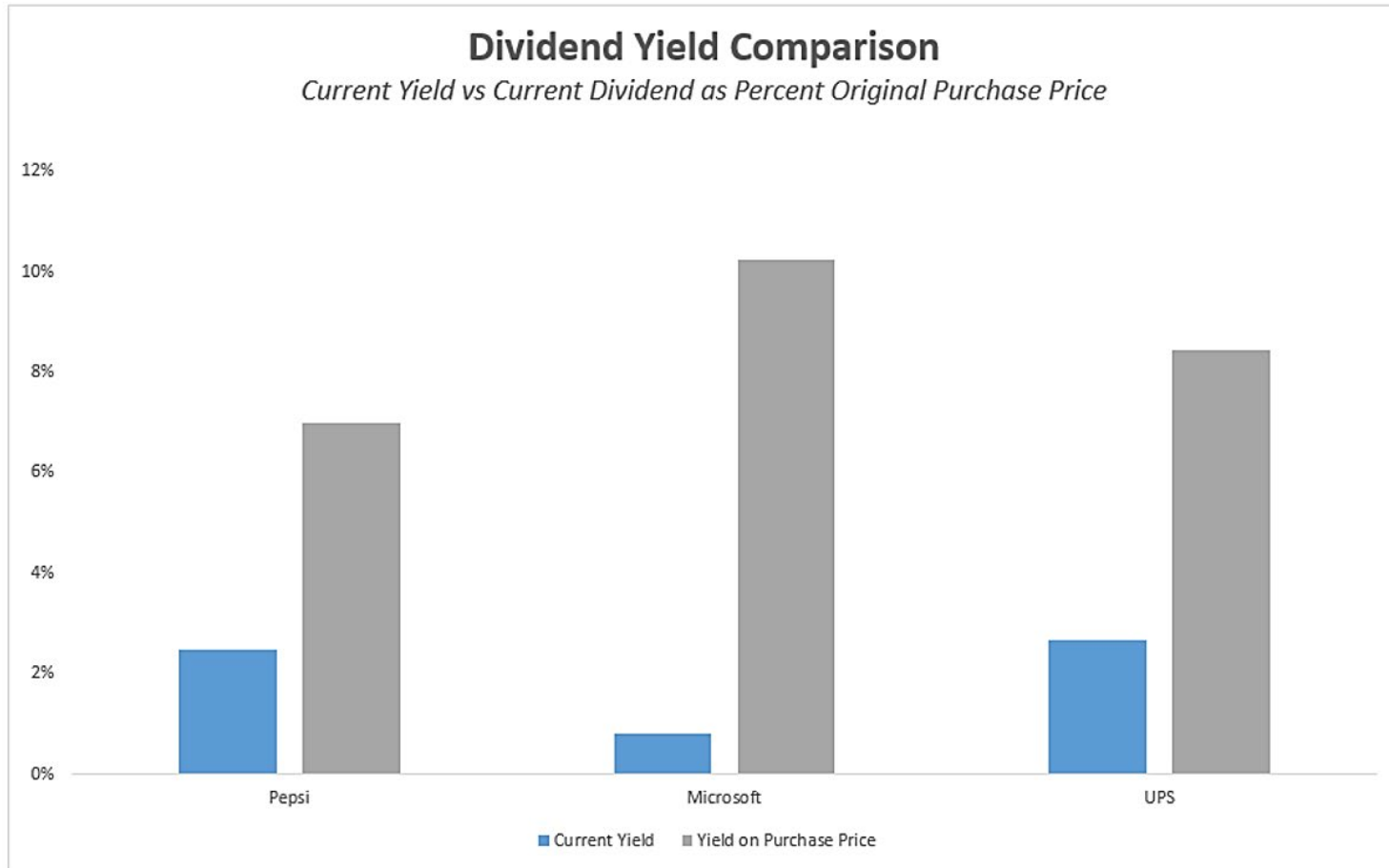


# Honeywell Investor Day



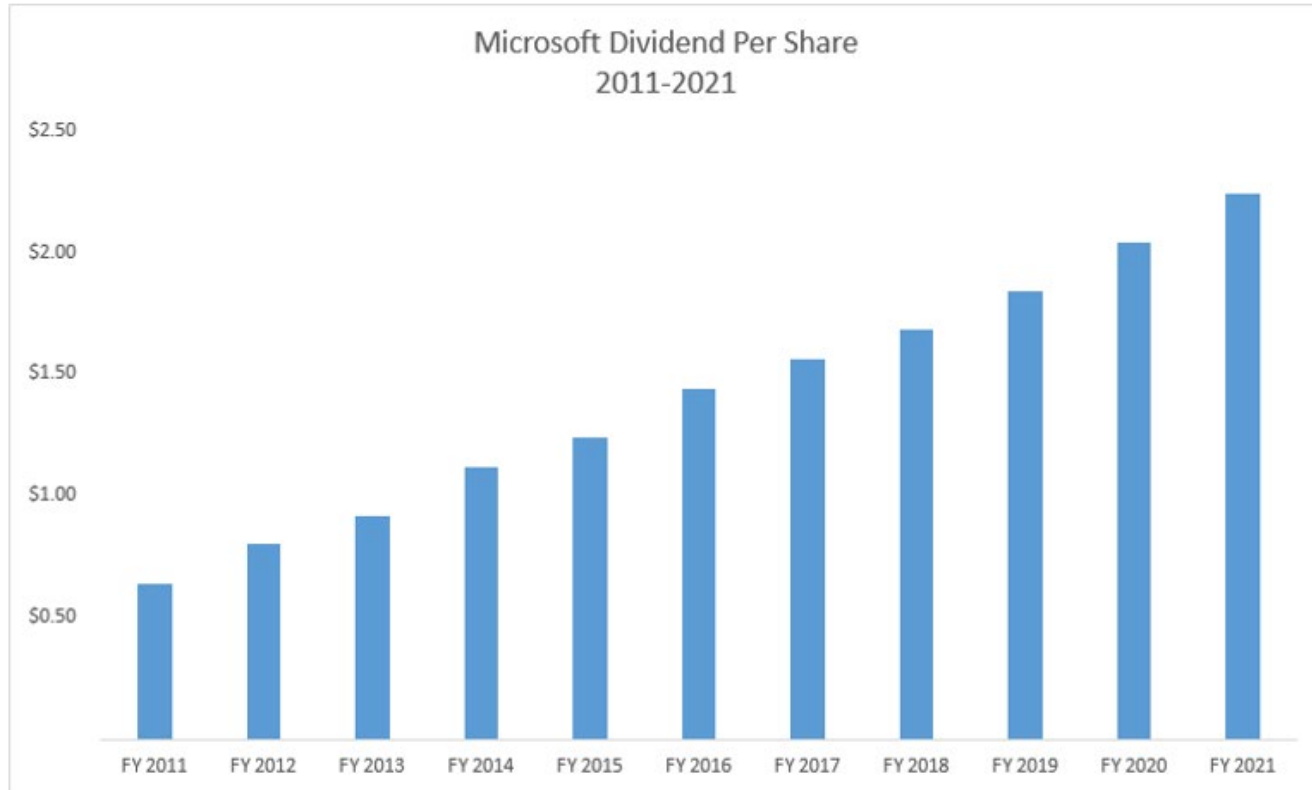
Source: Sterling Capital, Honeywell. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation 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.

# “Hidden Value”



Current yield as of 02.04.2022. Source: Bloomberg, 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.

# Power of Compounding Dividends



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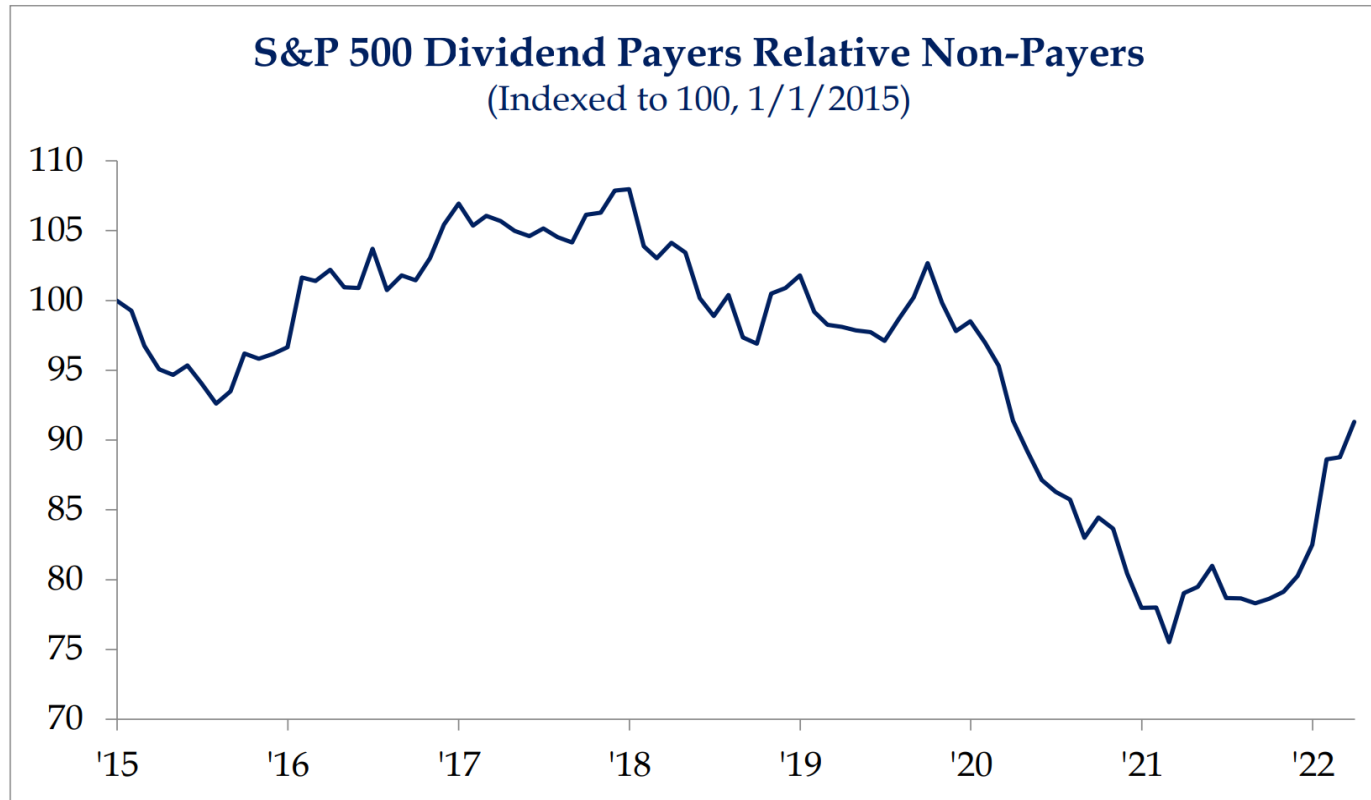
## Dividends Add to Total Return Over Time

Dividend Contribution to Total Return					
Decade	Price Pct. Change	Dividend Contribution	Total Return	Dividends Pct of TR	Avg Payout Ratio
1930s	-41.9%	56.0%	14.1%	100.0	90.1
1940s	34.5%	100.1%	134.6%	74.4	59.4
1950s	257.3%	180.3%	437.7%	41.2	54.6
1960s	53.7%	54.2%	107.9%	50.2	56.0
1970s	17.2%	59.1%	76.4%	77.4	45.5
1980s	227.4%	143.1%	370.5%	38.6	48.6
1990s	315.7%	115.7%	431.5%	26.8	47.6
2000s	-24.1%	15.0%	-9.1%	100.0	35.3
2010s	189.7%	66.9%	256.7%	26.1	35.2
2020s	45.4%	4.8%	50.2%	9.6	39.5
<b>Average</b>	<b>114.4%</b>	<b>87.8%</b>	<b>202.2%</b>	<b>59.4</b>	<b>52.5</b>

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.

# Recent Performance of Dividend Payers

## DIVIDEND PAYERS MAKING A SIGNIFICANT COMEBACK

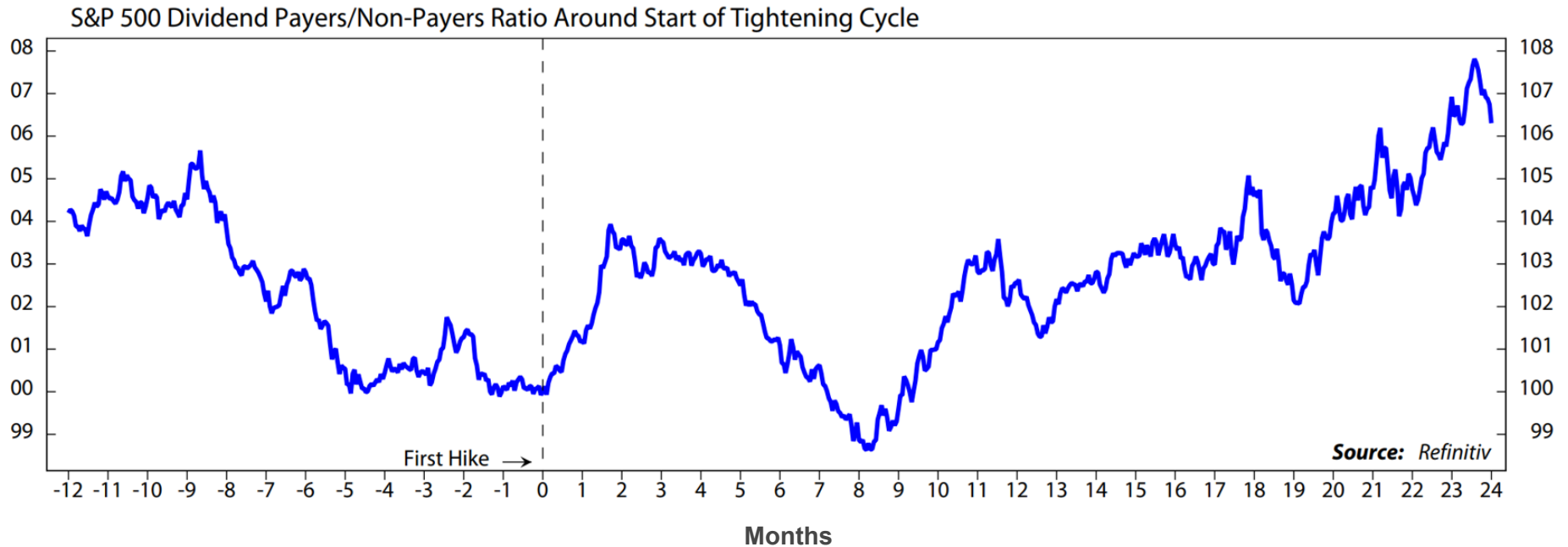


Source: Strategas. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will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

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

# Dividend Payers at First Rate Hike

## Payers > Non-Payers as Tightening Cycle Unfolds



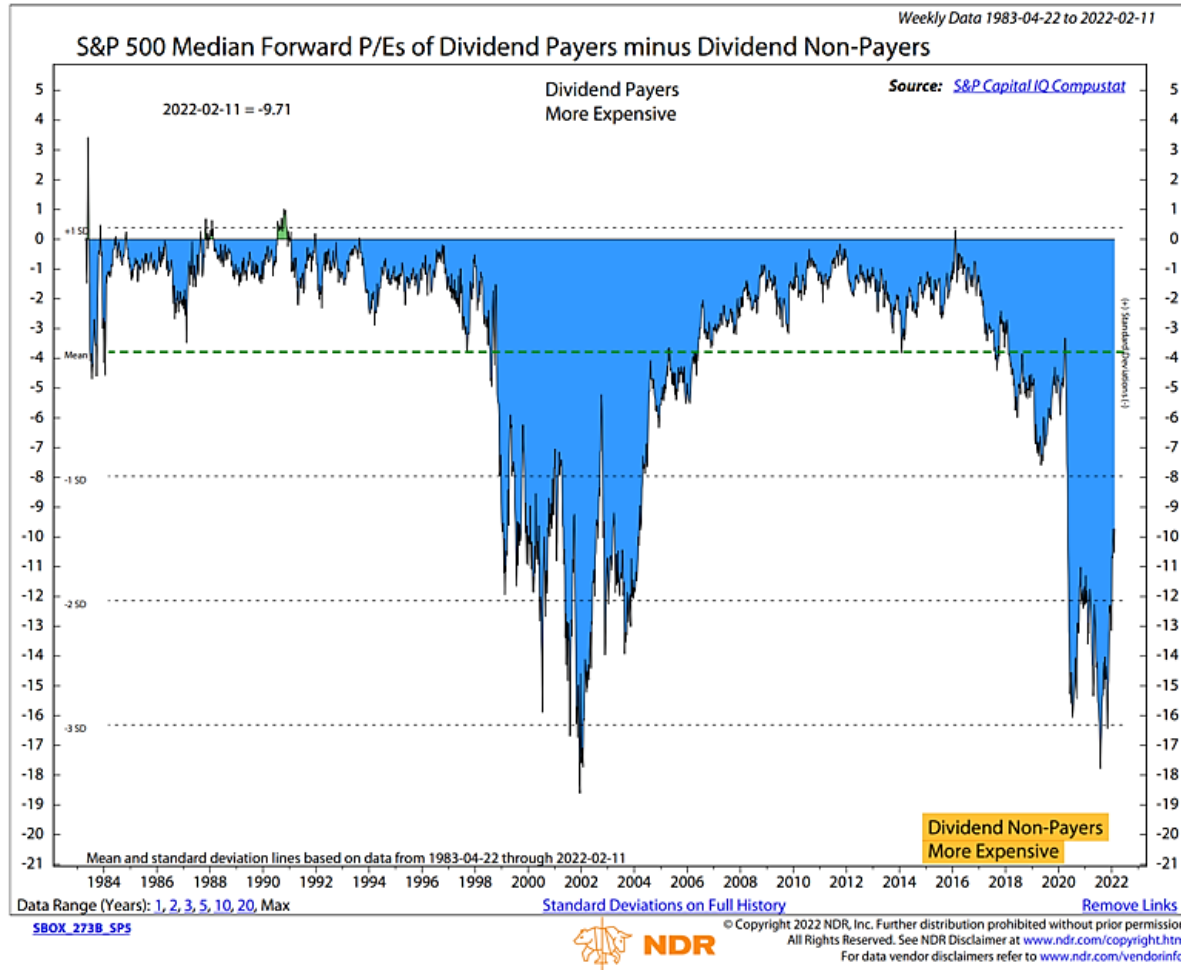
Source: Ned Davis Research, Refinitiv. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that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

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# Dividend Payers Relative Valuations

## Payers cheap vs Non-Payers

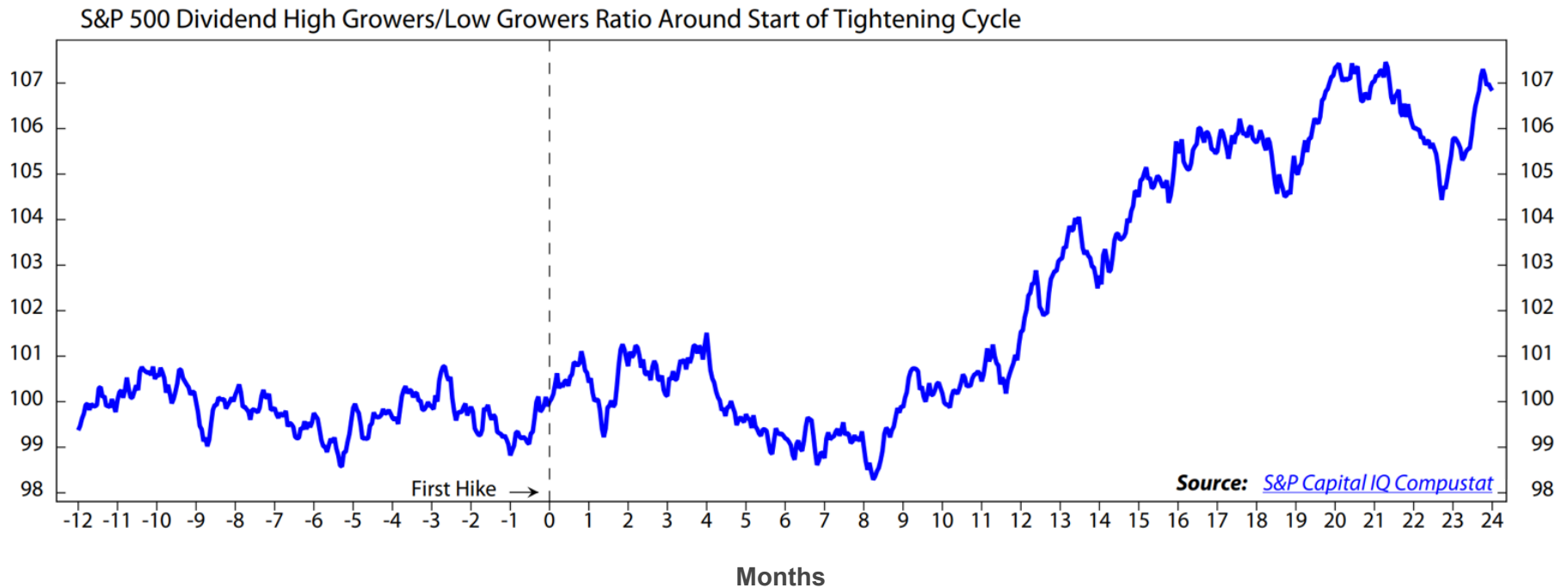


Source: Ned Davis Research. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods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

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# Faster Dividend Payers at First Rate Hike

## Faster Dividend Grower Have Performed Well in Year Two of Interest Rate Tightening Cycle



Source: Ned Davis Research, S&P Capital IQ Compustat. 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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# Recent Dividend Actions

Average Equity Income constituent has raised its dividend 14.6% year-over-year

- Johnson & Johnson raised its dividend for a 60<sup>th</sup> straight year, +7% year-over-year
- Coca-Cola raised its dividend for a 60<sup>th</sup> straight year, +5% year-over-year
- Pepsi raised its dividend for a 50<sup>th</sup> straight year, +7% year-over-year
- Discover Financial raised its dividend 20% year-over-year and authorized a \$4.2B share repurchase program
- Due later this month:
  - Chubb on track for a 29<sup>th</sup> straight year of dividend increases, and has reduced shares outstanding by -5.2% year-over-year
  - Medtronic on track for a 45<sup>th</sup> straight year of dividend increases

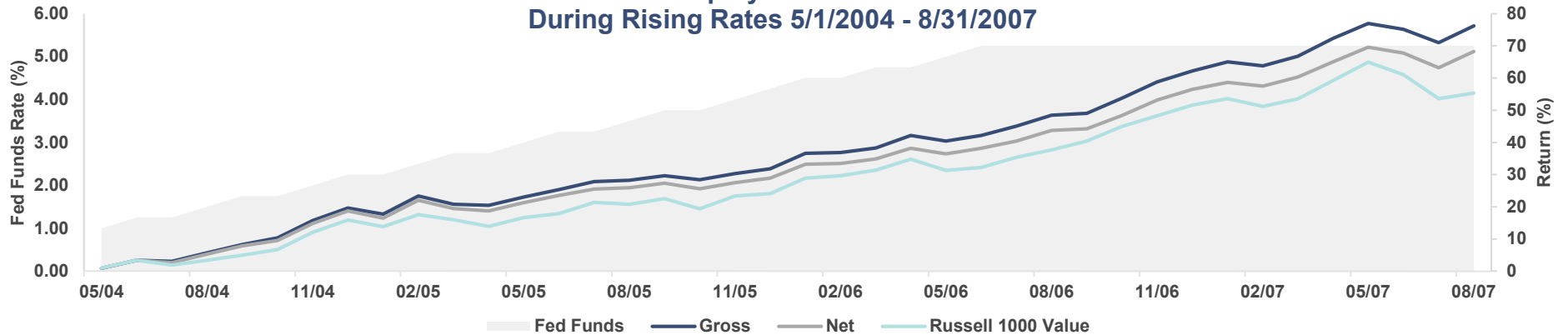
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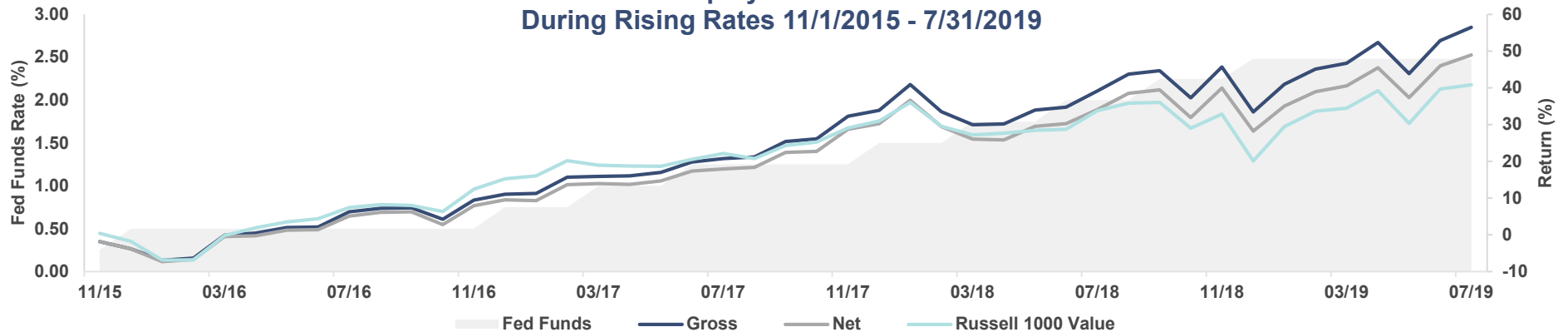


# Equity Income SMA Performance in a Rising Rate Environment

**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.

# Pricing Power

**Marsh & McLennan:** Revenue growth in 1Q22 was up 10% in its insurance brokerage segment as underlying insurance pricing was up 11% according to the Marsh Global Insurance Market Index.

**Chubb:** Global property and casualty premiums grew 9% with commercial up 12% and consumer 8% last quarter.

**Crown Castle:** The company reported 6% core organic revenue growth driven by core leasing and contract escalators.

**Coca Cola:** Organic revenue growth was up 18% in the first quarter led by 7% increases in price and product mix.

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**STERLING**  
CAPITAL



# Environmental, Social, and Governance (ESG) Highlights

**Honeywell:** We attended the company's Investor Day where management is spending 60% of its research and development dollars dedicated to new product innovations involving ESG solutions.

**Discover Financial Services:** We met with the CEO and engaged with him on ESG issues including their ESG framework and their high-performing Chatham Customer Care Center in Chicago.

**Verizon:** At their Investor Day, Verizon announced that it plans to invest \$3 billion into digital inclusion by 2025.

**Johnson & Johnson:** The company received an upgrade from third party provider Sustainalytics in March after it finalized its settlement related to opioid litigation.

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.

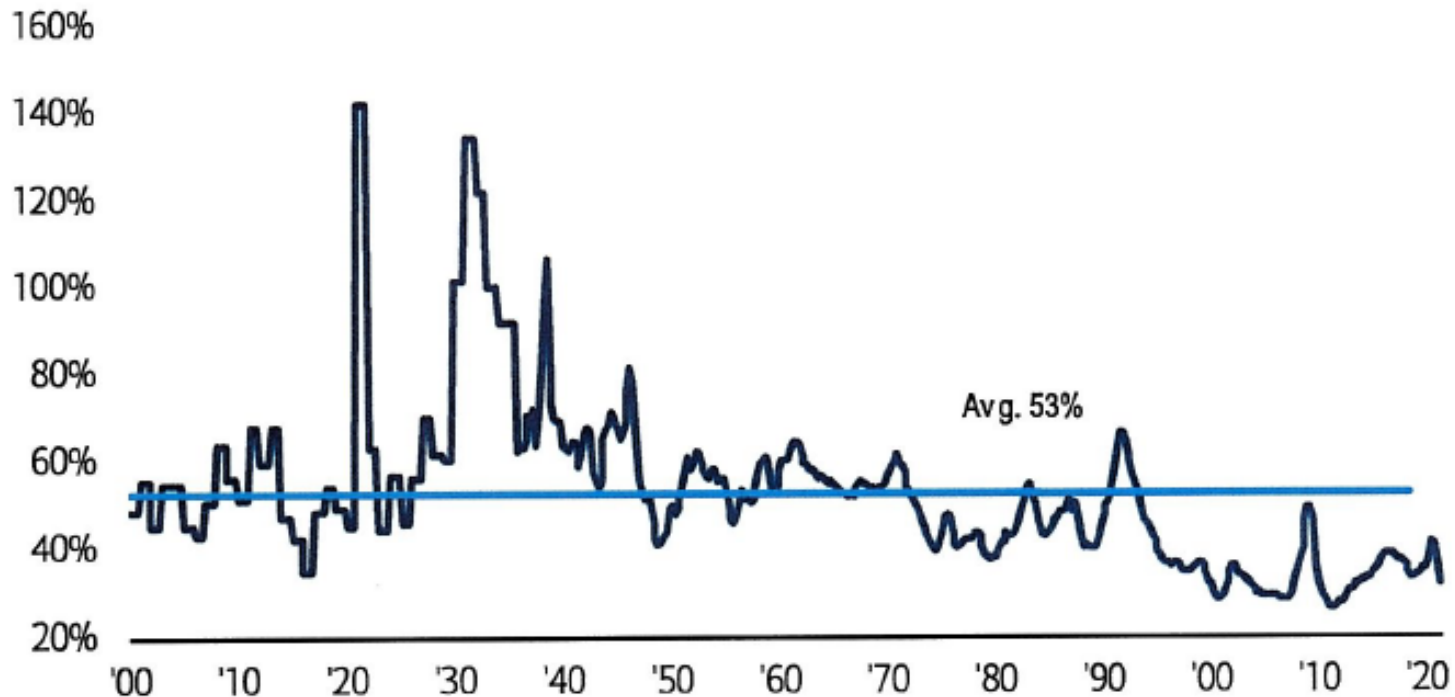
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# Means, Motive, Opportunity

**Low payout ratio** for S&P 500: 32% vs. long-term average of 50%.

**Exhibit 12: Dividend payout ratio is ~30% today vs. long-term average of ~50%**  
S&P 500 dividend payout ratio 1900-present



Source: BofA Global Research, Haver Analytics/S&P, FactSet, BofA US Equity & US Quant Strategy. 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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# 1Q 2022 Portfolio Changes

## Additions:

- None

## Exits:

- Citigroup
- FMC
- Coterra Energy

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# Are the Economist Headlines of Elevated Interest Rates Contrarian Indicators?



FEB 5TH 2022

How high will interest rates go?



FEB 26TH 2022

Where will he stop?

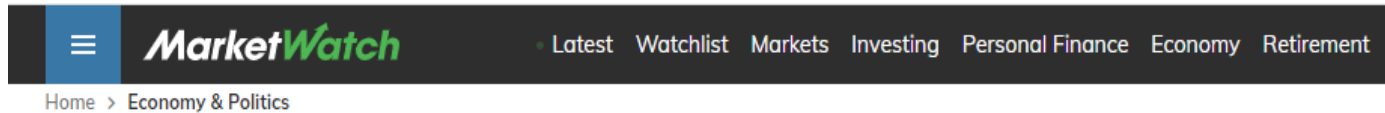


MAR 26TH 2022

Power play: The new age of energy and security

Source: The Economist. 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.

# Are Expectations of \$200/barrel Oil Contrarian Indicators?



## How would the economy handle \$200 oil? Here's what one simulation found

Published: March 29, 2022 at 5:11 a.m. ET

By [Steve Goldstein](#) [Follow](#)

Erik Lundh and Gurleen Chadha of The Conference Board say a 30% reduction in Russian oil production could lead to \$195 prices for the Brent **BRN00, -5.71%** grade even if other suppliers scaled up their production. Right now, for instance, Europe is still buying Russian oil, even if the U.S. and the U.K. have blocked their purchases. Last year, Europe consumed nearly half of Russia's oil exports, and China consumed one-third.

The Conference Board ran that scenario through the economic model. Such a surge in oil prices would boost already red-hot inflation, by 0.9% globally to 6.1% and by 1.1% to 7.3% in the U.S.

However, that inflation acceleration would not plunge the globe into recession. The Conference Board projects world output would be shaved by 0.2% to 3.3%, and the U.S. economy by only 0.1 point to 2.9% year-over-year. What the Conference Board defines as global recession, of global growth of no more than 2%, wouldn't occur until prices reached closer to \$300 per barrel.

As of 03.29.2022. 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.



# April 2022 Portfolio Changes

## **Additions:**

- Blackrock
- Stanley Black & Decker

## **Exits:**

- Cummins

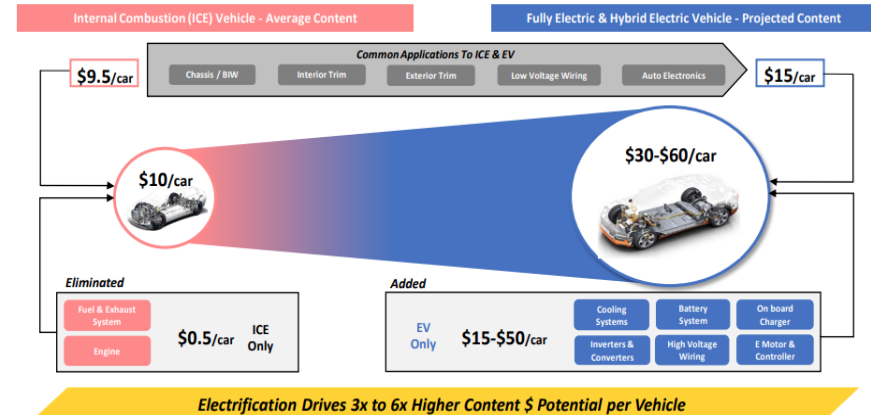
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# Stanley Black & Decker

## StanleyBlack&Decker

- Leading manufacturer of power and hand tools
- Transitioning to more-recurring razor/blade model via rechargeable battery packs
- 2% dividend yield, increased 54 consecutive years (+13% year-over-year)
- Divestiture of security business driving sizable share repurchases ~13x earnings at time of purchase, near all-time low relative multiple
- 14% return on equity (ROE)
- Investment grade credit rating
- Low double-digit grower

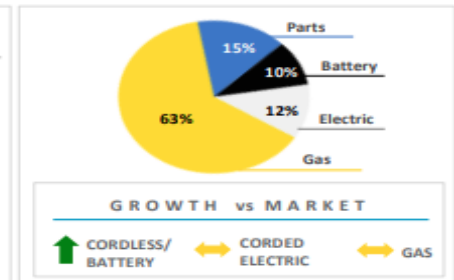
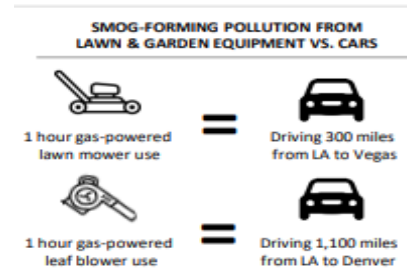
## Addressable Market Increases Significantly For EV vs ICE



## OUTDOOR PRODUCTS

SBD + MTD = Best Position In The World To Achieve

~\$25B Global Outdoor Products Equipment



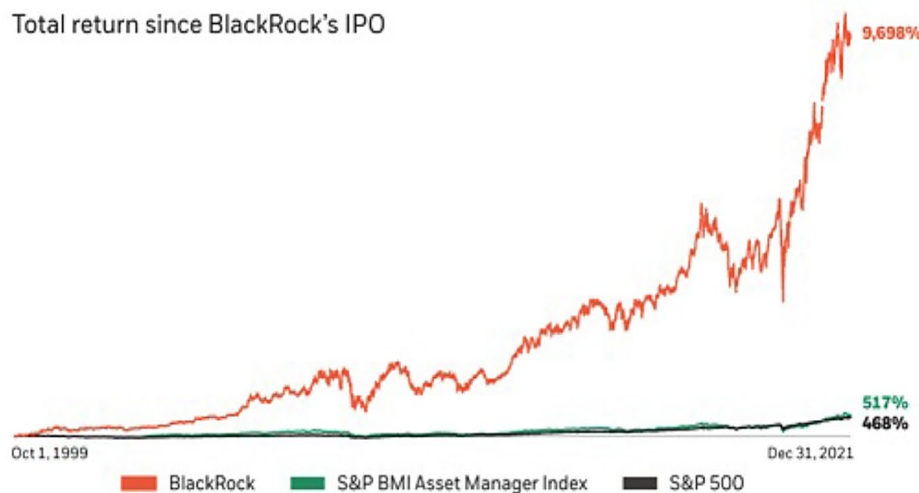
Source: Stanley Black & Decker. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a 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.



# Blackrock

- Leading global asset manager in ETFs, alternatives and ESG
- Industry leading organic growth and margins
- 2.5% dividend yield at time of purchase, 10<sup>th</sup> straight increase (+18% year-over-year)
- ~17x earnings at time of purchase
- 16% return on equity
- Investment grade credit rating

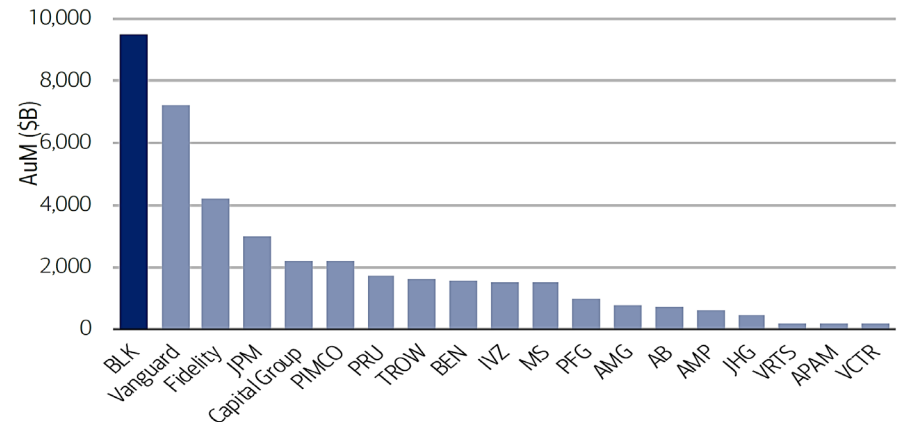
Total return since BlackRock's IPO



Source: S&P Global (bottom left chart), BofA Global Research, company data(bottom and top right charts). 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.

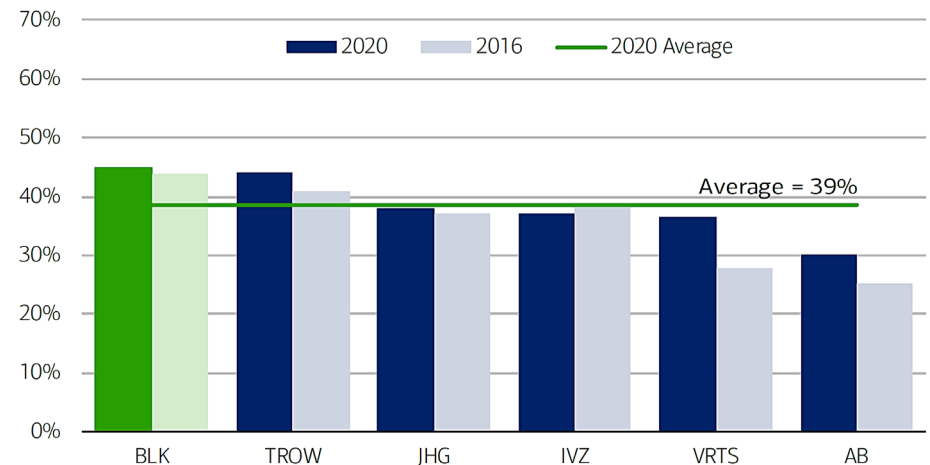
**Exhibit 5: Asset Manager League Table (by AuM)**

BlackRock is the most scaled asset manager in the world



**Exhibit 27: Adjusted Operating Margins**

BLK is the most efficient large cap traditional asset manager





# Secular Themes, Growth Tailwinds

Exhibit 6 - Percentage of Cash Used in Transactions By Country: 2010-2020 – Mature Markets

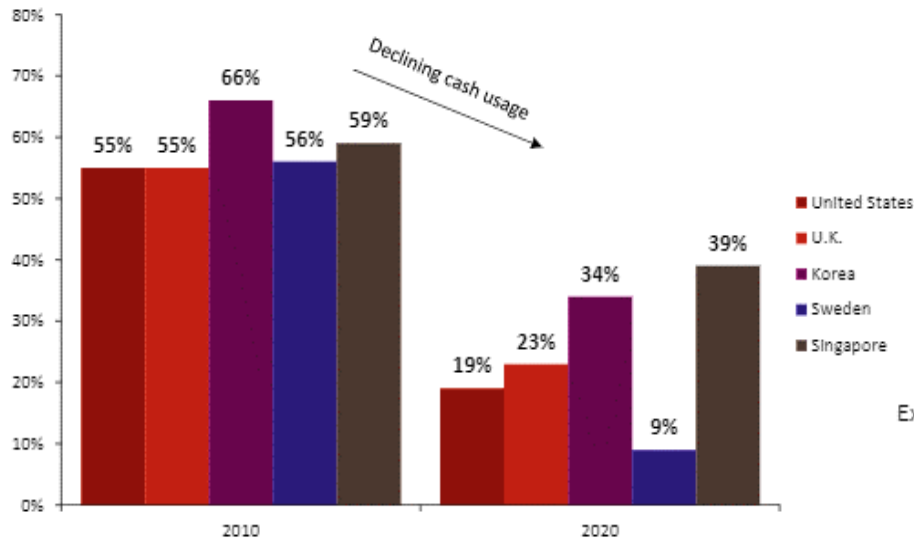
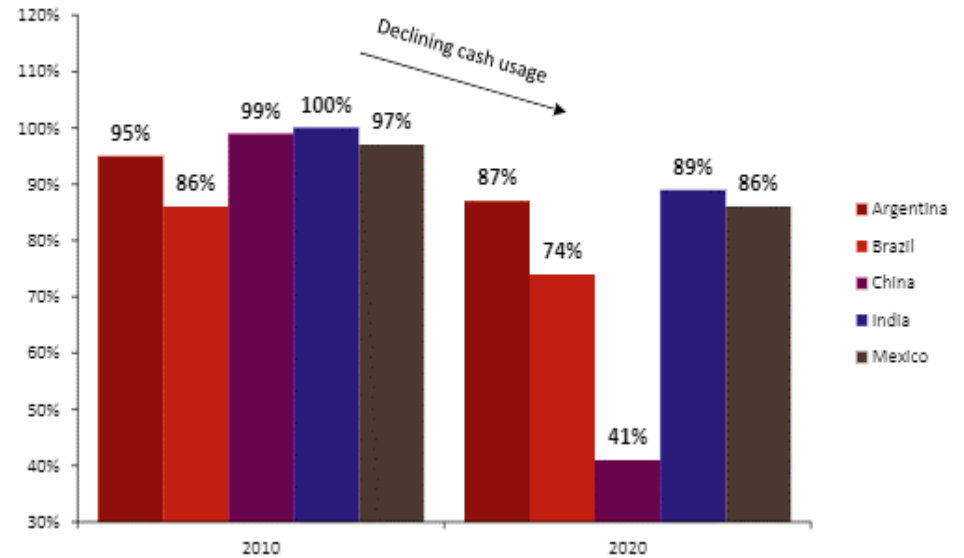


Exhibit 7 - Percentage of Cash Used in Transactions By Country: 2010-2020 – Emerging Markets



Source: McKinsey, U.S. Federal Reserve, Wells Fargo Securities, LLC. 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.

# Impact of Rising Interest Rates

- More “competition” for investors’ dollars from higher-yielding Treasuries and other fixed income securities
- Higher rates likely to more significantly impact smaller, leveraged companies that are highly dependent on the capital markets
- A few Equity Income examples:
  - Crown Castle
  - Marsh & McLennan
  - Microsoft

**3.063%** ▼ -0.005

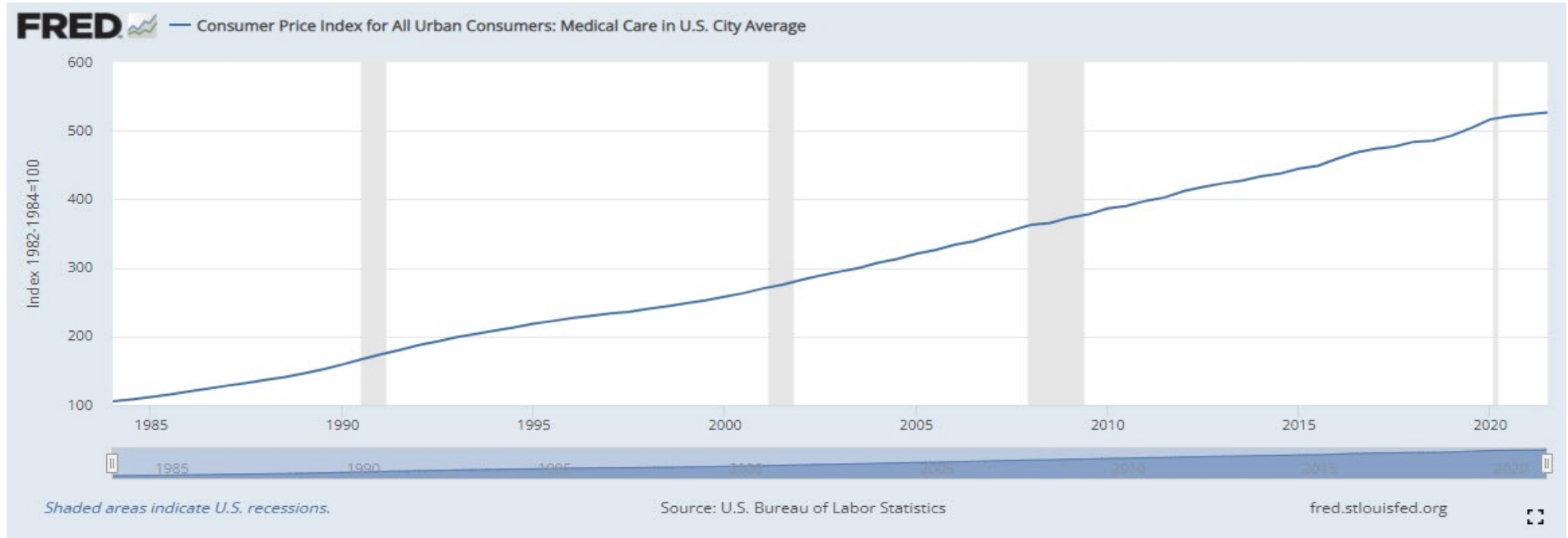


10-year Treasury yield. Source: CNBC

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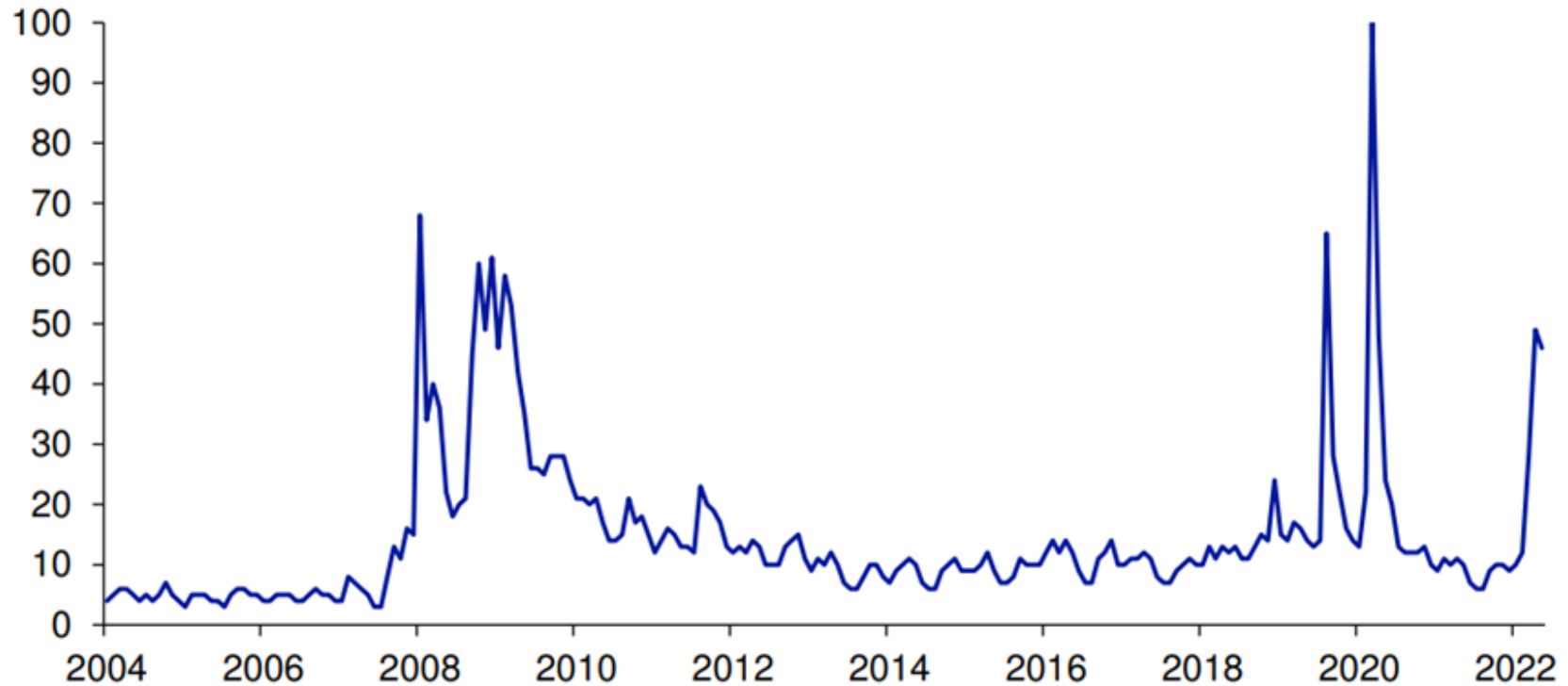
# Pricing Power Examples



Source: St. Louis Federal Reserve, U.S. Bureau of Labor Statistics (top chart), NPR, SodaPopCraft (bottom chart). 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.

# The Market Arguably Is Already Discounting Some Concerns

Figure 1: Google Searches for “recession” in the United States



*Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular.*

*Source : Google Trends, Deutsche Bank*

Source: Deutsche Bank, Google Trends. 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.

# Falling out of a Basement Window?

**Chart 1: Average drawdown from previous total return peak of US financial assets (equity, high yield credit, investment grade credit and 30-year government bonds)**



Source: Berenberg research, Eikon. 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.

# Appendix

# Important Information

## Disclosures

**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.

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). **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

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.

<b>Year</b>	<b>Total Return "Pure" Gross of Fees</b>	<b>Total Return Net of Fees</b>	<b>No. of Portfolios</b>	<b>Composite Assets End of Period (\$MM)</b>	<b>Total Firm Assets (\$MM)</b>	<b>Composite Dispersion (%)</b>	<b>Russell 1000 Value</b>	<b>Composite 3-yr St Dev (%)</b>	<b>Benchmark 3-yr St Dev (%)</b>
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 12/31/19. 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. 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.