

# 2<sup>nd</sup> Quarter 2021 Market Review:

Focus Equity

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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:

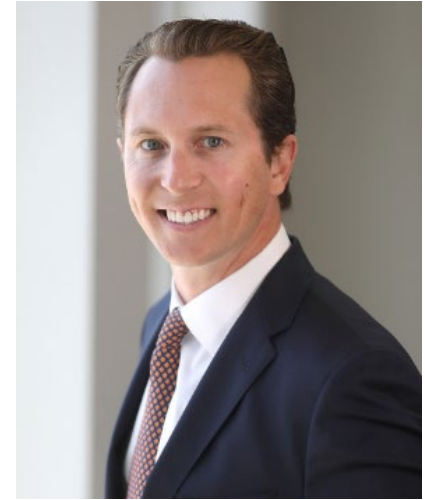
- Equity market and macro environment
- Focus Equity philosophy and process
- Focus Equity Q2.2021 performance, activity and positioning
- Q&A



**Colin R. Ducharme, CFA®**  
Executive Director  
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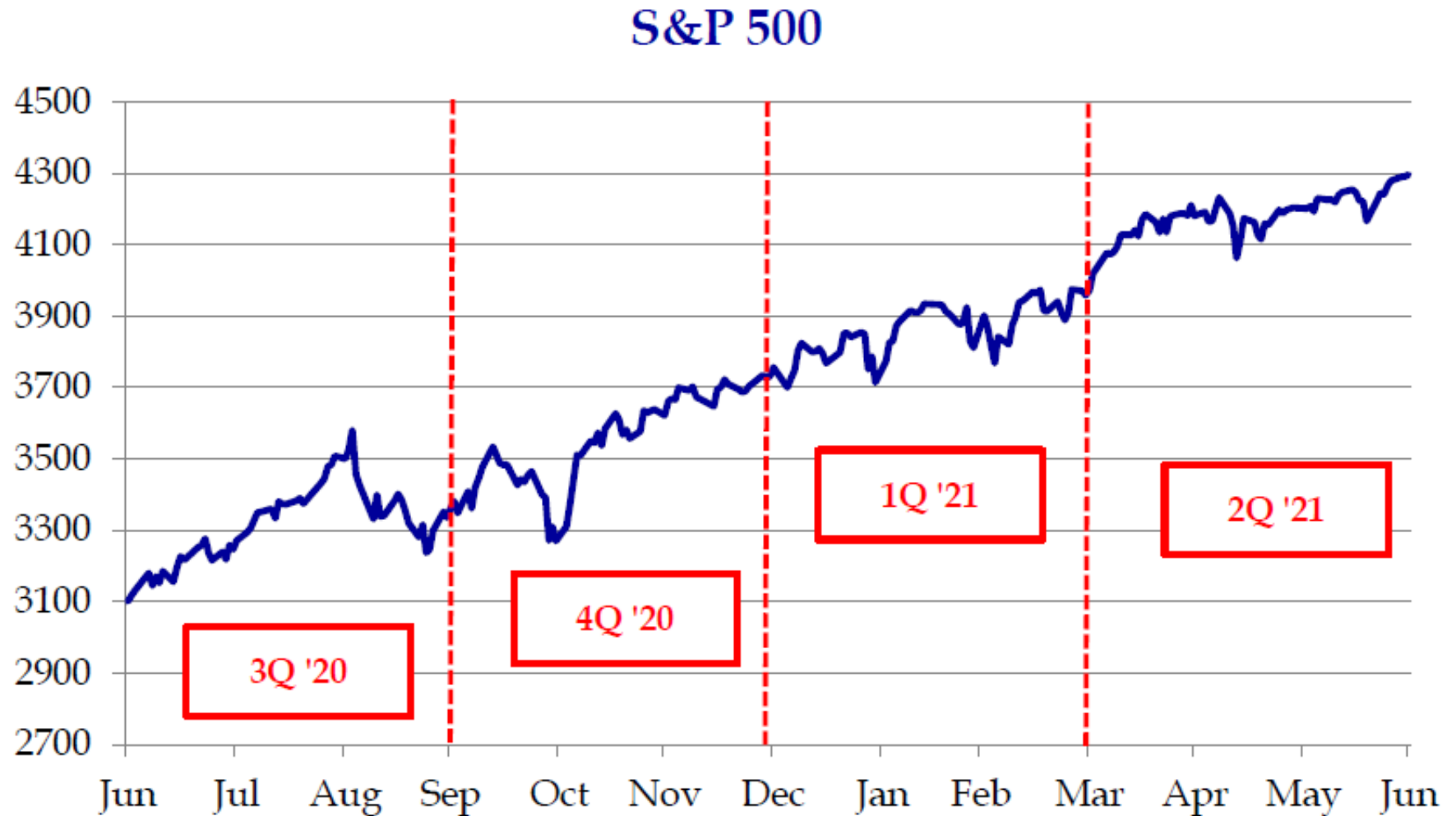


**Whitney L. Stewart, CFA®**  
Executive Director  
Client Portfolio Manager

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## S&P 500 +8.5% in 2Q21, +53.7% in 12 Months; Best Since WWII



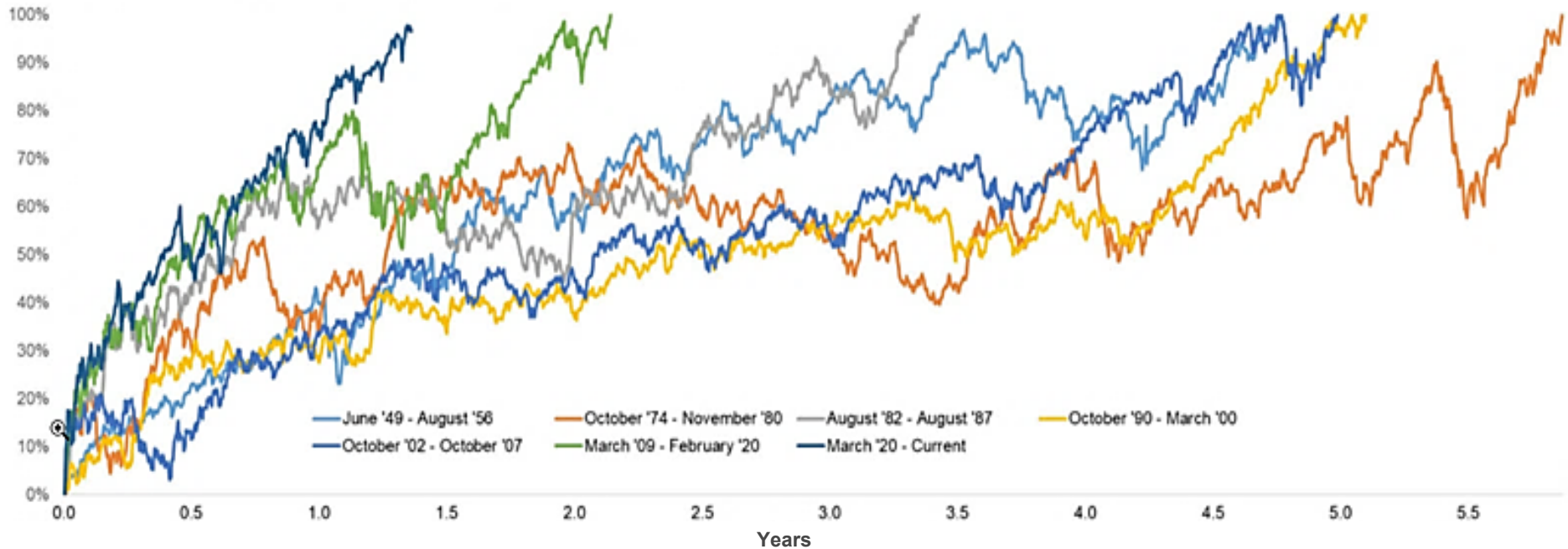
Source: Strategas Research. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods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

Past performance is not indicative of future results.

# May Be the Fastest Bull Market Double Off the Lows

## This Could Be The Fastest Bull Market To Double Off The Lows

S&P 500 Index Bull Markets To Double (Since WWII)



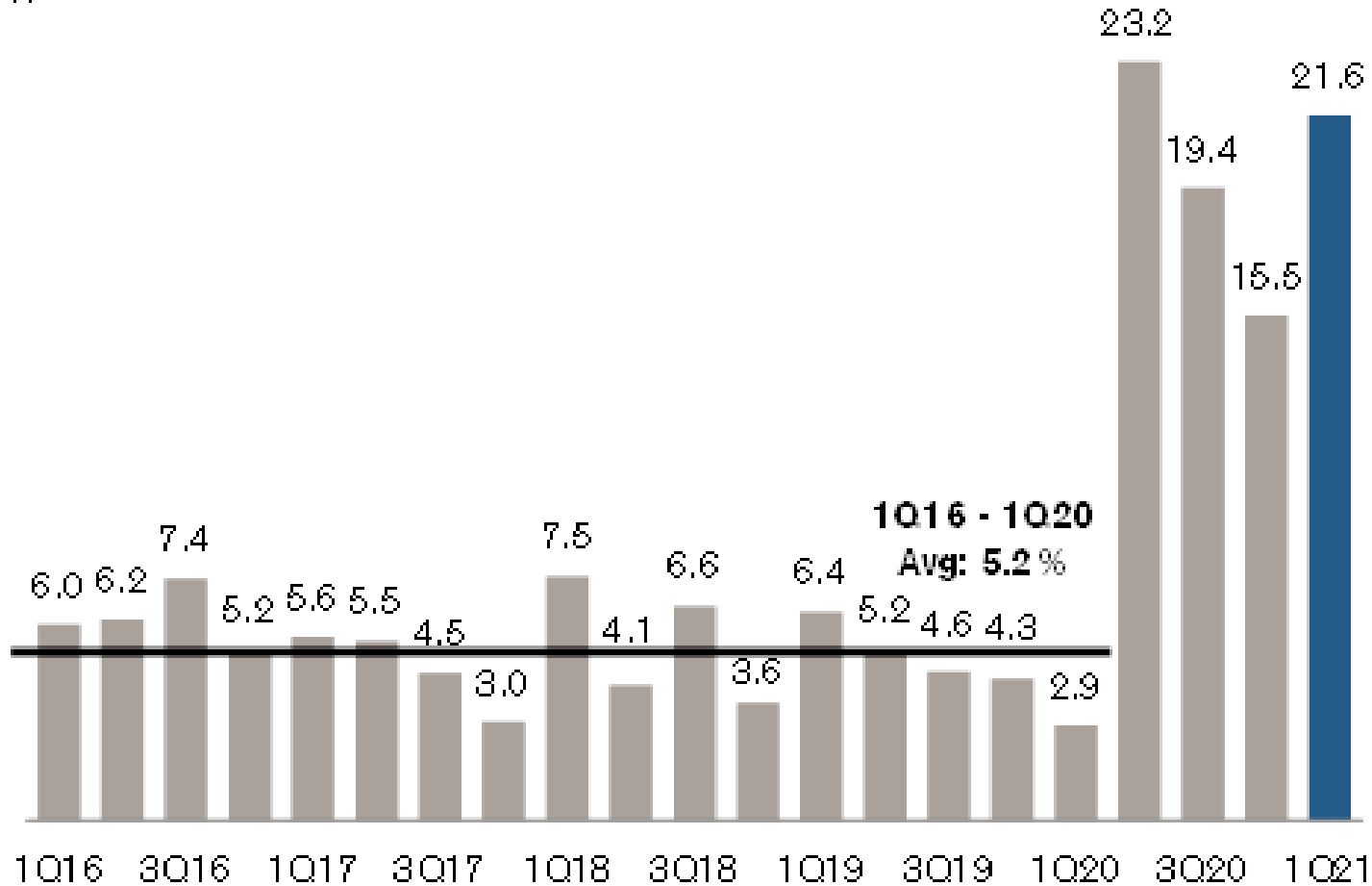
As of 07.31.2021. Source: LPL Research, FactSet. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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# S&P 500 Index Corporate Earnings Continue to Beat Expectations

## EPS Surprise

%



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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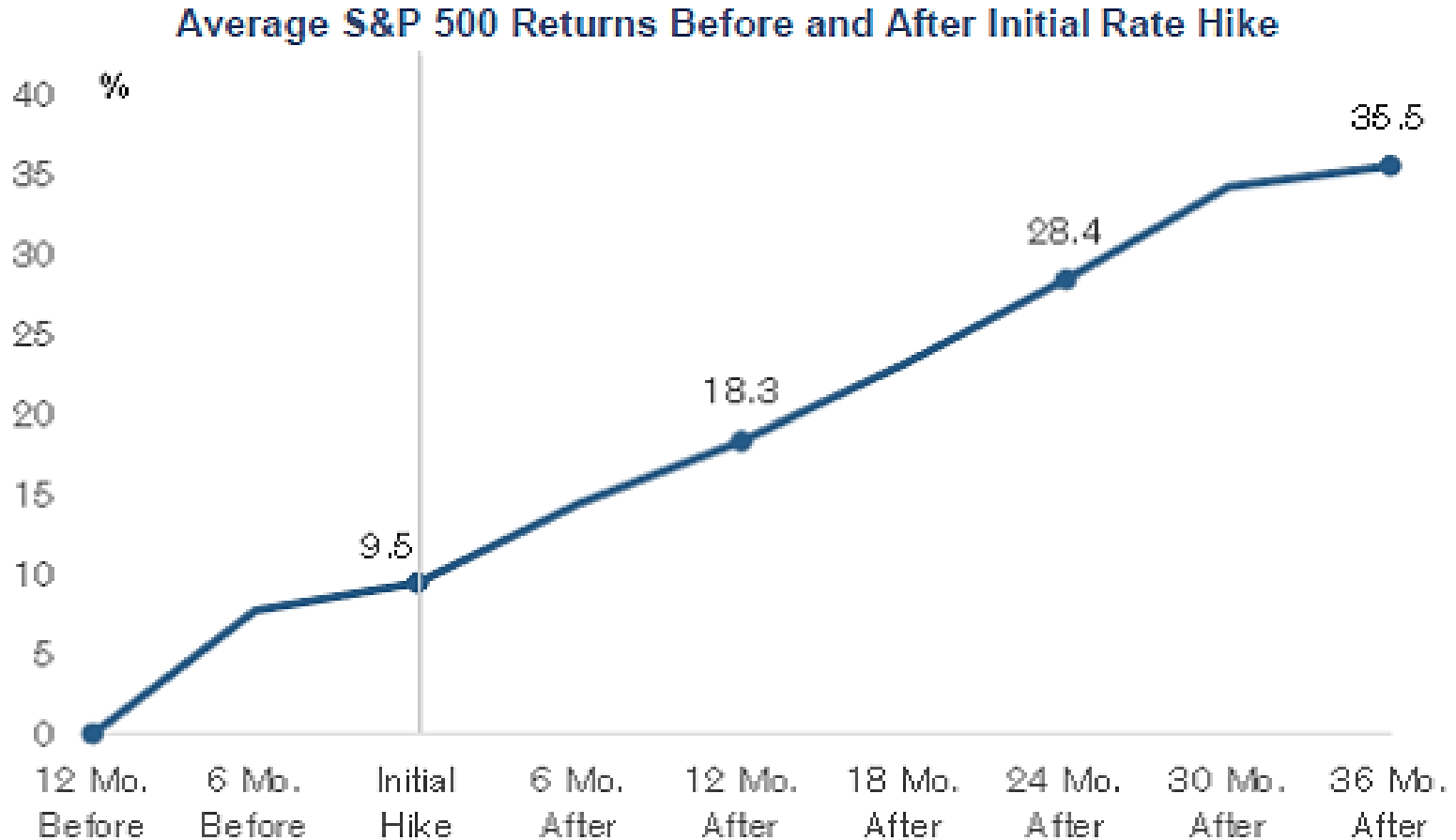
# Central Banks' Accommodative Policies Make Stocks Even More Attractive



Source: Strategas 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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# Historically, Equities Generate Strong Returns Leading Up to and Three Years After the First Federal Reserve Hike



Average returns based on Federal Reserve rate hike cycles in 1994, 1999, 2004, and 2015. For illustrative purposes only.

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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# Growth, Mega-Cap, and Information Technology, But Value Still Leads Year-to-Date

<u>Leading US Indices (Total Return)</u>	1Q'20	2Q'20	3Q'20	4Q'20	2020	1Q'21	2Q'21 (sorted)	YTD
S&P/Citigroup Growth	-14.5%	26.2%	11.8%	10.7%	33.5%	2.1%	11.9%	14.3%
Nasdaq	-14.0%	30.9%	11.2%	15.6%	44.9%	3.0%	9.7%	12.9%
S&P 100 Mega-Cap	-17.2%	20.8%	9.8%	10.7%	21.5%	5.1%	9.4%	15.0%
<b>S&amp;P 500 Total Return</b>	<b>-19.6%</b>	<b>20.5%</b>	<b>8.9%</b>	<b>12.1%</b>	<b>18.4%</b>	<b>6.2%</b>	<b>8.5%</b>	<b>15.3%</b>
Dow Jones Wilshire 5000	-21.2%	22.1%	9.0%	14.4%	20.0%	5.8%	8.1%	14.3%
S&P/Citigroup Value	-25.3%	13.1%	4.8%	14.5%	1.4%	10.8%	5.0%	16.3%
S&P 600 Small-Cap	-32.6%	21.9%	3.2%	31.3%	11.3%	18.2%	4.5%	23.6%
Russell 2000	-30.6%	25.4%	4.9%	31.4%	20.0%	12.7%	4.3%	17.5%
S&P 400 Mid-Cap	-29.7%	24.1%	4.8%	24.4%	13.7%	13.5%	3.6%	17.6%

<u>S&amp;P 500 Sectors (Total Return)</u>	1Q'20	2Q'20	3Q'20	4Q'20	2020	1Q'21	2Q'21 (sorted)	YTD
Real Estate	-19.2%	13.2%	1.9%	4.9%	-2.2%	9.0%	13.1%	23.3%
Technology	-11.9%	30.5%	12.0%	11.8%	43.9%	2.0%	11.6%	13.8%
Energy	-50.5%	30.5%	-19.7%	27.8%	-33.7%	30.9%	11.3%	45.6%
Communication Services	-17.0%	20.0%	8.9%	13.8%	23.6%	8.1%	10.7%	19.7%
<b>S&amp;P 500 Total Return</b>	<b>-19.6%</b>	<b>20.5%</b>	<b>8.9%</b>	<b>12.1%</b>	<b>18.4%</b>	<b>6.2%</b>	<b>8.5%</b>	<b>15.3%</b>
Health Care	-12.7%	13.6%	5.9%	8.0%	13.4%	3.2%	8.4%	11.9%
Financials	-31.9%	12.2%	4.4%	23.2%	-1.7%	16.0%	8.4%	25.7%
Discretionary	-19.3%	32.9%	15.1%	8.0%	33.3%	3.1%	6.9%	10.3%
Materials	-26.1%	26.0%	13.3%	14.5%	20.7%	9.1%	5.0%	14.5%
Industrials	-27.0%	17.0%	12.5%	15.7%	11.1%	11.4%	4.5%	16.4%
Staples	-12.7%	8.1%	10.4%	6.4%	10.7%	1.1%	3.8%	5.0%
Utilities	-13.5%	2.7%	6.1%	6.5%	0.5%	2.8%	-0.4%	2.4%

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# “4M” Focus Equity Philosophy

## We Target Companies We Believe Can Generate Double Digit Returns With:

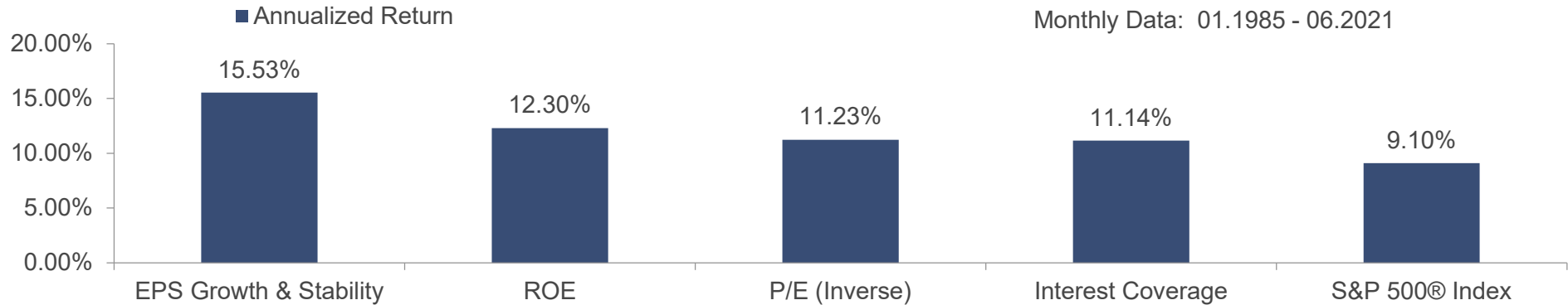
- ***Markets*** that are large and growing – where companies can visibly reinvest.
- Business ***Models*** that exhibit pillars of growth, financial stability, strong margins, and reasonable valuations.
- ***Management*** teams who generate results, and have ownership incentives aligned with our own, whether as a founder or significant stockholder.
- ***Momentum*** where the business is positioned for performance success.

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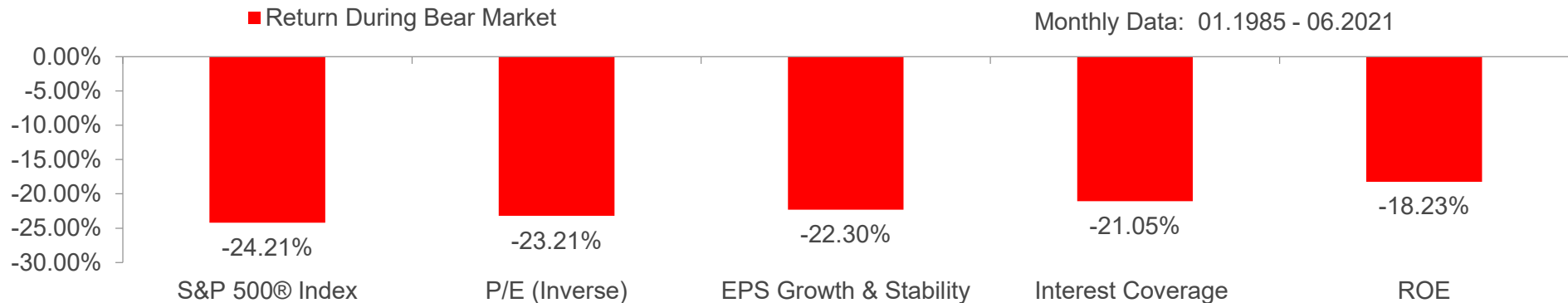
# Equity Opportunities Group Philosophy of Investing

Seek Capital Appreciation and Risk Reduction by Constructing Portfolios with Attractive Valuations (P/E), Robust Operating Growth (EPS Growth/Stability), High Profitability (ROE) and Strong Balance Sheets (Interest Coverage)

## Annualized Return of Top Decile of S&P 500® Index by Factor



## Annualized Return in Bear Markets for Top Decile of S&P 500® Index by Factor



As of 06.30.2021. Source: Ned Davis Research, S&P Dow Jones Indices. 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.

# Casella Waste (CWST)

## Focus Equity “4M” Framework and Four Pillars

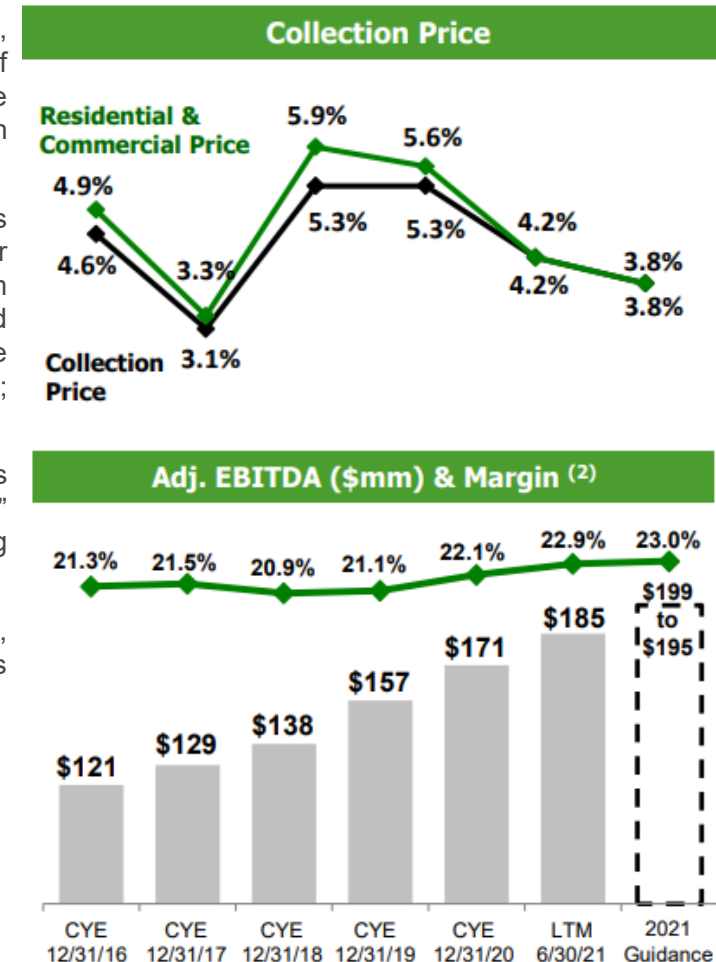
### Focus Equity “4M” Framework

- **Market:** Morgan Stanley estimates the U.S. waste services industry is \$75 billion annually, as Waste Management, Republic Services, and Waste Connections comprise about 40% of the market, and the rest split roughly evenly between private companies, municipal service providers, and other publicly traded companies like Casella. With \$775 million in sales in 2020, we believe the company has considerable room to grow.
- **Model:** Casella is a regional operator focused on the Northeast, with most operations residing in NY, VT, NH, ME, and MA. Casella earns collection revenue from multi-year contracts facilitated between municipalities and residential/commercial customers, or from direct subscriptions. Other revenue sources include “tipping fees” (on a per load basis), and recycling contracts that are based on a factors such as volume and commodity prices. The waste services industry is highly regulated, particularly at the state and municipal levels; therefore, we believe barriers to entry are onerous.
- **Management:** Casella was founded by Doug Casella in 1975 in Rutland Vermont. His brother John joined a year later; together they built the company with “New England frugality” and a vision of integrated waste services that included the State of Vermont’s first recycling center in 1977. Today Mr. Casella and other insiders own 1.4% of company shares.
- **Momentum:** Business momentum includes positive pricing each of the past 5 years, helping drive low double digit EBITDA growth, and 29 acquisitions over the past 3 years totaling roughly \$150 million in revenue.

### Equity Opportunity Group Four Pillars

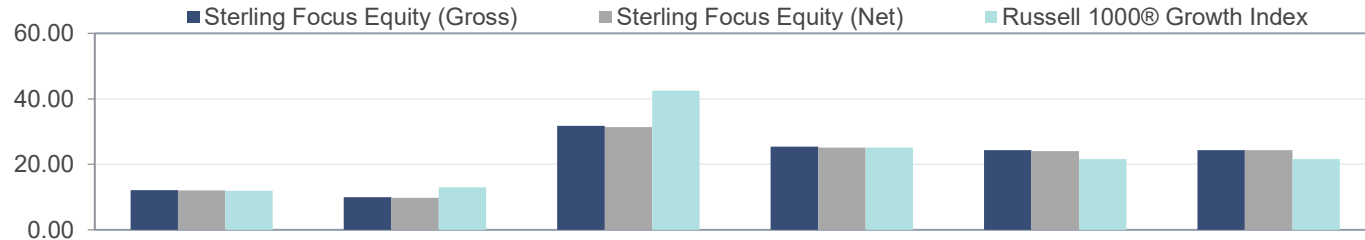
- **Growth:** Casella’s high single digit revenue growth exceeds top 3 peers by 200bp.
- **Profitability:** 23% EBITDA margins are healthy given Casella’s small relative scale.
- **Balance Sheet:** Debt-to-EBITDA ratio of 2.5x offers capacity to fund M&A in our view.
- **Valuation:** Casella’s growth potential drives 21x ’22 EV/EBITDA versus 16x for peers.

### Improving Performance

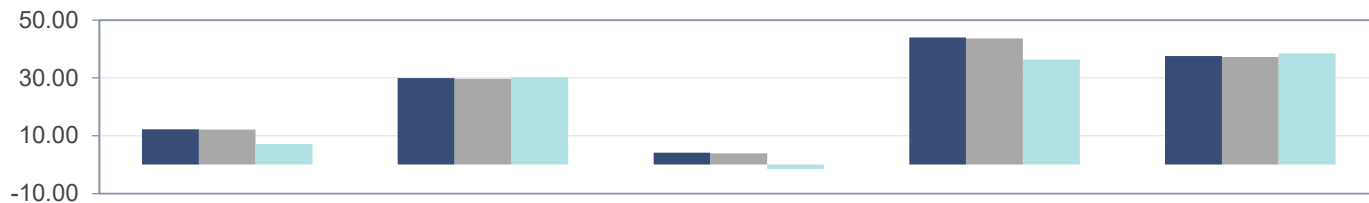


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# Focus Equity Performance History



Performance	QTR	YTD	1 Year	3 Year	5 Year	Since Inception*
Sterling (Gross)	12.09%	9.98%	31.75%	25.39%	27.19%	24.30%
Sterling (Net)	11.99%	9.78%	31.38%	25.12%	26.94%	24.06%
Russell 1000® Growth	11.93%	12.99%	42.50%	25.14%	23.66%	21.61%
Russell 3000®	8.24%	15.11%	44.16%	18.73%	17.89%	16.89%



Year-End Returns	2016	2017	2018	2019	2020
Sterling (Gross)	12.23%	29.89%	4.15%	43.95%	37.58%
Sterling (Net)	12.06%	29.68%	3.96%	43.68%	37.27%
Russell 1000® Growth	7.08%	30.21%	-1.51%	36.39%	38.49%
Russell 3000®	12.74%	21.13%	-5.24%	31.02%	20.89%

\*Inception date is 12.31.2015.

Data as of 06.30.2021. 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. Gross of fees performance returns reflect the deduction of trading costs; a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in Sterling's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. The Performance is considered Supplemental Information to the GIPS Composite Report located in the APPENDIX. Sources: Russell Investments, Sterling Capital Management Analytics.

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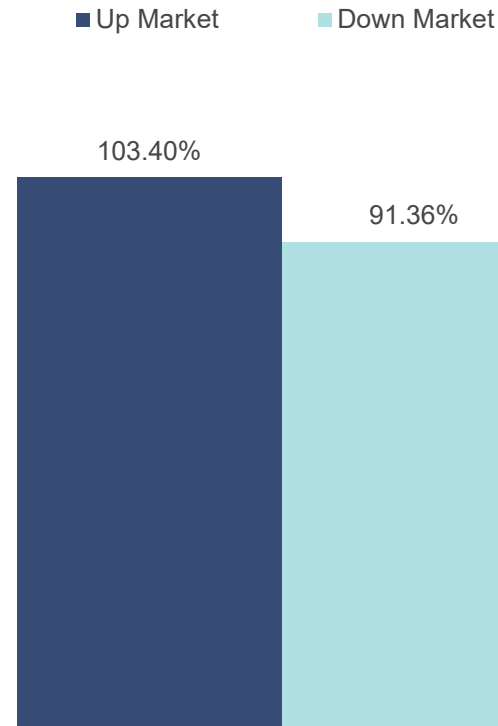


# Risk vs. Reward

Sterling Focus Equity

Gross of Fees, Since Inception (12.31.2015)

Summary Statistics vs. Russell 1000® Growth Index (of Monthly Returns)	
Alpha	2.11
Beta	1.02
R Squared	0.85
Tracking Error	6.88
Standard Deviation	17.63
Information Ratio	0.39
Up Market Capture Ratio	103.40%
Down Market Capture Ratio	91.36%



Data as of 06.30.2021. Up Market Capture is a measure of the manager's performance when the benchmark has positive returns for the period relative to the benchmark itself. Down Market Capture is a measure of the manager's performance when the benchmark has negative returns for the period relative to the benchmark itself. Performance is preliminary and is annualized for periods longer than one year. Gross of fees performance returns reflect the deduction of trading costs; a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in Sterling's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. The Performance and Up/Down Market Capture is considered Supplemental Information to the GIPS Composite Report located in the APPENDIX. Source: Russell Investments, Morningstar, Sterling Capital Management Analytics.

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## Q2 Top Five Contributors/Bottom Five Detractors

Performance	QTR	YTD	1 Year	3 Year	5 Year	Since Inception*
Sterling (Gross)	12.09%	9.98%	31.75%	25.39%	27.19%	24.30%
Sterling (Net)	11.99%	9.78%	31.38%	25.12%	26.94%	24.06%
Russell 1000 <sup>®</sup> Growth	11.93%	12.99%	42.50%	25.14%	23.66%	21.61%
Russell 3000 <sup>®</sup>	8.24%	15.11%	44.16%	18.73%	17.89%	16.89%

### Q2 Top Five Contributors:

- IDEXX Labs
- Moody's
- Shopify
- S&P Global
- Alphabet

### Q2 Bottom Five Detractors:

- CoStar
- Mastercard
- Casella Waste
- MarketAxess
- Workday

\*Inception date is 12.31.2015. Data as of 06.30.2021. 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. Gross of fees performance returns reflect the deduction of trading costs; a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in Sterling's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. The Performance is considered Supplemental Information to the GIPS Composite Report located in the APPENDIX. Sources: Russell Investments, Sterling Capital Management Analytics.

The top/bottom performers are based on quarterly attribution to return. 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.

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# Focus Equity Characteristics and Top Ten Holdings

## Sterling Focus Equity

Portfolio Characteristics		
	Sterling	Index
Wtd. Average Market Cap	\$432.7B	\$795.0B
Wtd. Median Market Cap	\$67.8B	\$243.9B
Wtd. Harmonic Median P/E Ratio (FY1)	56.9x	34.9x
Median Historical 3-Year EPS Growth	24.0%	16.0%
Median Est. 3-5 Year EPS Growth	19.9%	15.5%
Median Net Debt/EBITDA	0.2	1.1
Median Return on Equity	6.8%	14.2%
Number of Holdings	24	499
Active Share	77.6%	---
Turnover	23.1%	---

Top Ten Equity Holdings	
1. Microsoft Corporation	9.0%
2. S&P Global, Inc.	8.9%
3. Mastercard Incorporated Class A	8.7%
4. IDEXX Laboratories, Inc.	7.5%
5. CoStar Group, Inc.	6.4%
6. Moody's Corporation	5.8%
7. HEICO Corporation Class A	5.4%
8. Alphabet Inc. Class C	5.1%
9. Old Dominion Freight Line, Inc.	4.6%
10. Amazon.com, Inc.	4.2%
<i>Total % of Portfolio</i>	<i>65.5%</i>

Data as of 06.30.2021. Index is Russell 1000® Growth. Turnover is for the last 12 months. 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 Characteristics and Top Ten Holdings are considered Supplemental Information to the GIPS Composite Report located in the APPENDIX. Source: Russell Investments, FactSet, Sterling Capital Management Analytics.

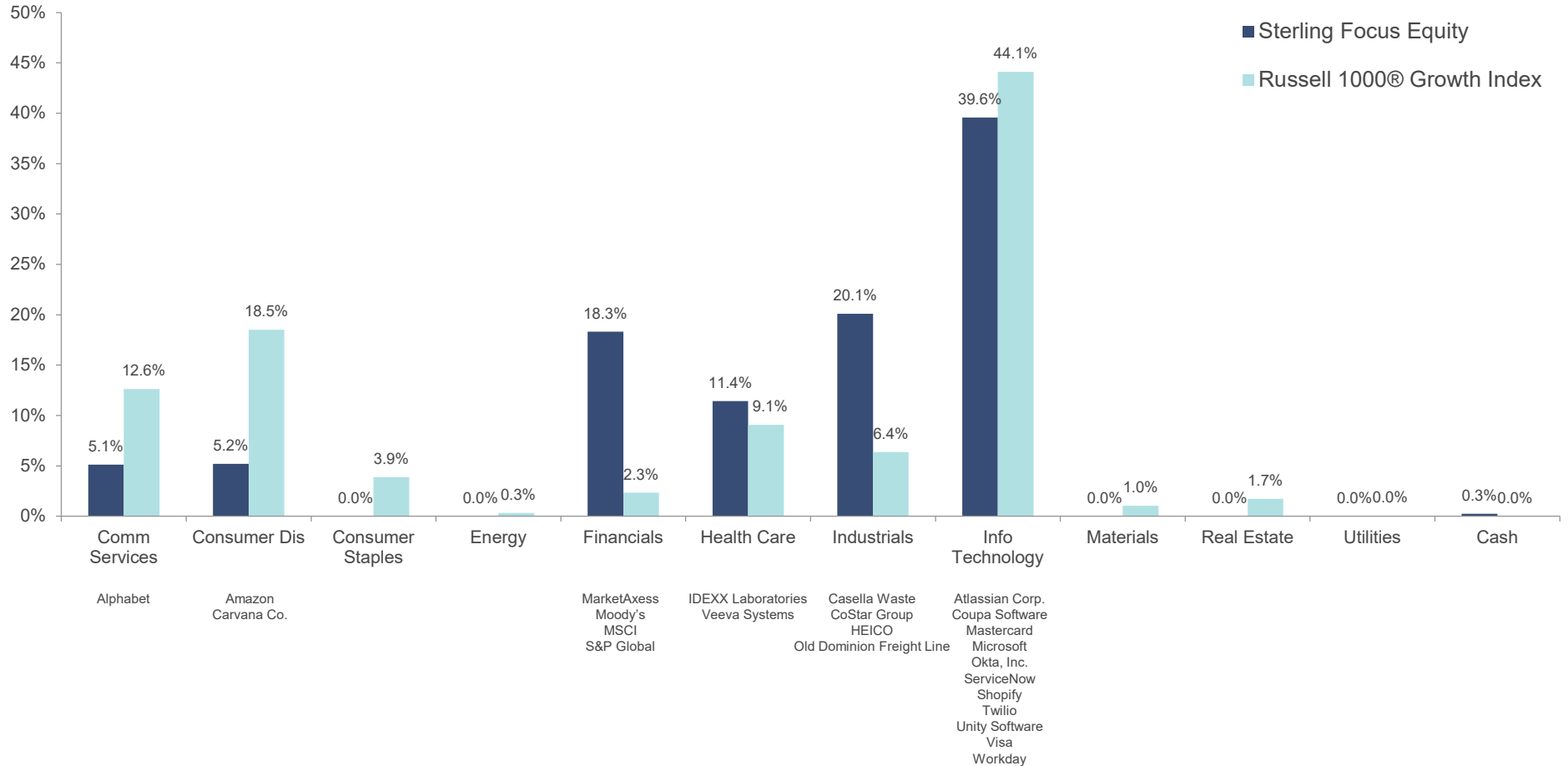
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# Focus Equity is Built to Differ from the Benchmark

## Sterling Focus Equity



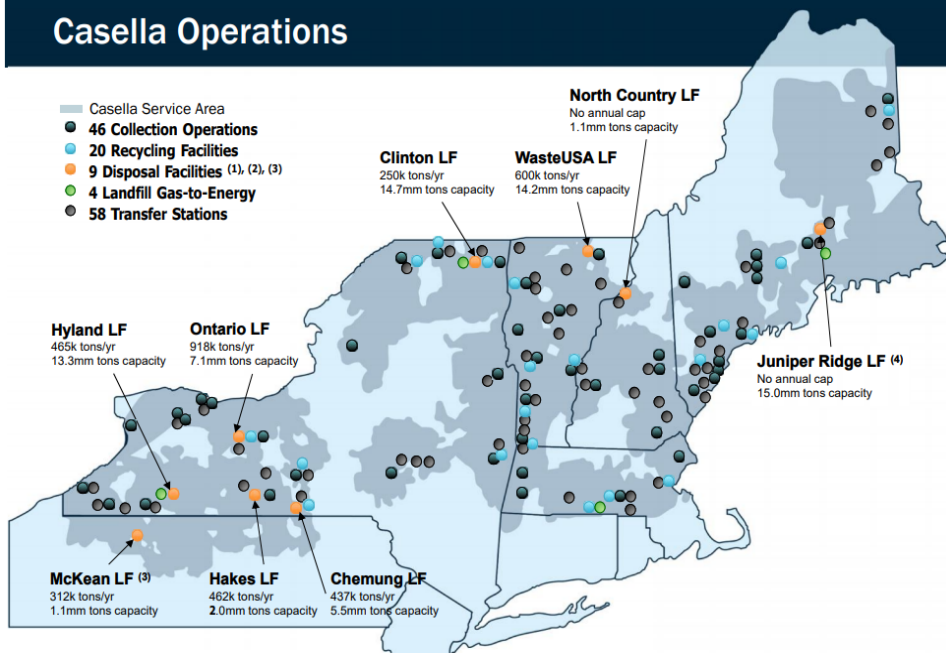
Data as of 06.30.2021. Totals may not equal 100% due to rounding. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described 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.

# 2Q21 Portfolio Activity: Exit Brookfield (BAM), Purchase Casella Waste (CWST)

## We view Casella through our “4M” framework:

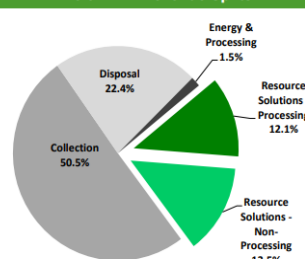
- **Market**: Large and resilient
- **Model**: Improving its high-quality free cash flow
- **Management**: Founder/CEO team with ownership mindset
- **Momentum**: Strong playbook execution

### Casella Operations

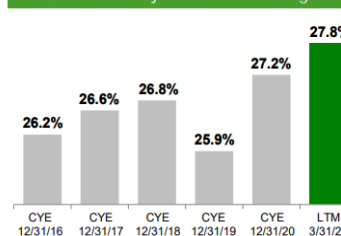


### Solid Waste operations driving improving margins

#### LTM 3/31/21 – Revenue Splits



#### Solid Waste Adjusted EBITDA Margins



#### ~74% revenues in Solid Waste.

- Solid Waste consists of integrated collection, transfer, landfill, energy, and processing services.
- Focus on pricing programs, cost efficiencies, and asset utilization, and acquisitions.
- SW Adj. EBITDA margins up +290bps since 2019.

#### ~26% revenues in Resource Solutions.

- Resource Solutions consists of processing operations such as recycling and organic material processing facilities and non-processing operations such as brokerage and resource management services.
- Recycling business implementation of our SRA Fee, contract resets, and operating efficiencies driving higher margins.

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# Recent Research Observations:

## How are Focus Companies Recovering Amid Pandemic Volatility?

- “The second quarter was a landmark quarter for Carvana and one that will always play a central role in our story. It was the first quarter, we delivered over 100,000 cars to our customers. It was our first quarter of over \$3 billion in revenue. It was the first quarter, we achieved 5,000 total GPU. It was the first quarter, we hit \$100 million EBITDA. And it was our first quarter of positive net earnings. It was also the first quarter we made the Fortune 500 list and to top it all off we are now one of the four fastest companies to ever make the list organically along with Amazon, Google, and Facebook.” – Carvana Founder and CEO Ernie Garcia III
- “Through the last several months, the acquisition activity continues to heat up. We've had many productive conversations with potential sellers and we're working on several opportunities that could close over the balance of 2021 or into next year. We believe that certain factors such as labor challenges and tax reform are driving further acceleration of the pipeline. Our pipeline remains robust and our balance sheet is well positioned to continue to grow the business.” – Casella Chairman and CEO John Casella
- “Shopify's momentum continued in our second quarter as strong commerce trends prevailed and more merchants joined and succeeded on our platform. In fact, GMV reached its highest level ever as physical stores in more regions reopen their doors in the early days of the post-pandemic recovery and as buyers continue to value the convenience that online tools bring to shopping. Case in point in places that have begun to reopen like the UK, GMV grew faster than our overall GMV in the quarter year-over-year indicating that online and in-store commerce are no longer mutually exclusive...all our regions remain at GMV levels above pre COVID levels. This may be why Shopify remains the go to platform for entrepreneurs around the world, to launch and to grow their businesses as they sell directly to their customers.” – Shopify President Harley Finkelstein
- “At the beginning of the quarter, we knew that the earnings in the second quarter of 2020 had been very strong due to a surge in liquidity-driven investment-grade issuance and from management actions we took to reduce spending to deal with the incredible uncertainty from the COVID pandemic. It's remarkable that the financial results we reported today surpassed those of a year ago.” – S&P Global CEO Doug Peterson

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# Founder-Led Companies Have Historically Outperformed

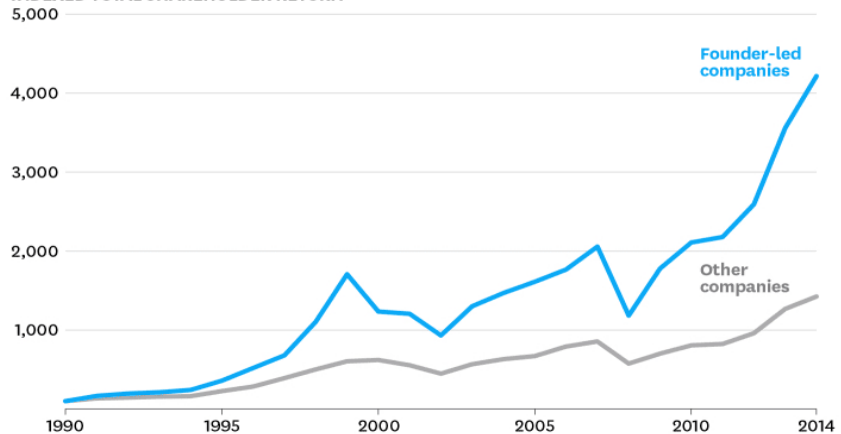
“How founders built their companies on the inside, from the start, influenced their companies’ success on the outside, for a long time. We call these company practices “the founder’s mentality.”

– Chris Zook, Bain & Company

## Founder-Led Companies Outperform the Rest

Based on an analysis of S&P 500 firms in 2014.

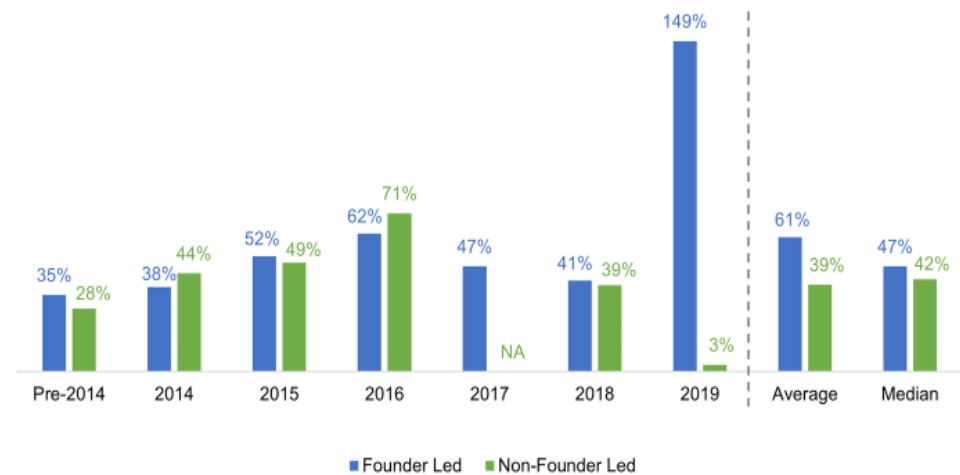
### INDEXED TOTAL SHAREHOLDER RETURN



SOURCE: BAIN & COMPANY

© HBR.ORG

## Compound Annual Growth Rate Since IPO | Segmented by IPO Year



“If you look at the average CAGR across these cohorts, founder-led companies outperform with an average CAGR of 61% vs. non-founder-led CAGR of 39%.” – Deliberate Capital

Zook, Chris. “Founder-Led Companies Outperform the Rest — Here’s Why.” Harvard Business Review. March 2016.

<https://hbr.org/2016/03/founder-led-companies-outperform-the-rest-heres-why>

Corbin and Grayden. “Why We Prefer Founder-led Companies.” Deliberate Capital. January 2021.

<https://deliberatecapital.substack.com/p/founder-led>

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



## And Founders Remain in Focus

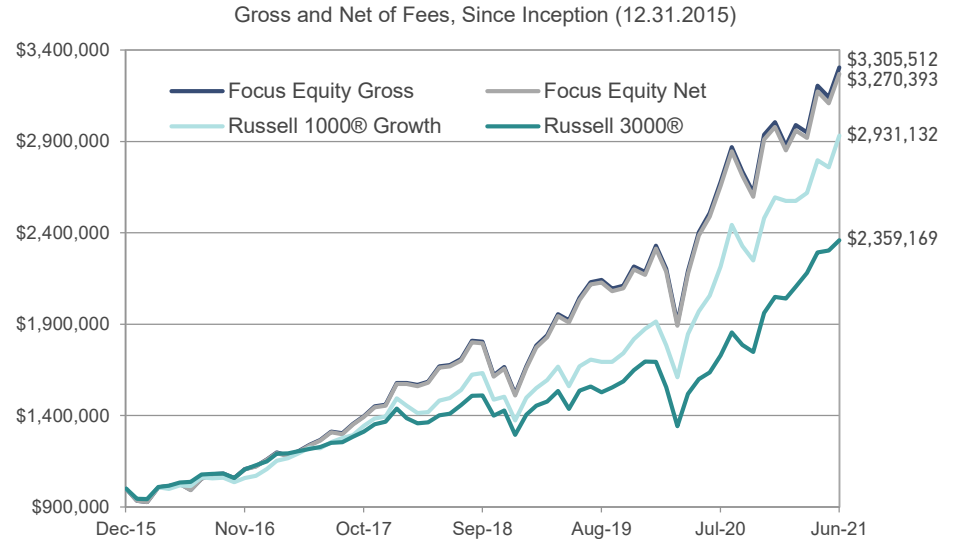
Focus Equity Portfolio Company	Person	Founder?	Role	Proxy Statement Beneficial Ownership Shares	Value on 6/30/2021
Alphabet	Larry Page	Yes	Board Member	19,952,558	\$ 50,007,495,167
Amazon	Jeff Bezos	Yes	CEO	70,616,270	\$ 242,931,267,403
Atlassian	Michael Cannon-Brookes	Yes	CEO	56,954,822	\$ 14,629,415,579
Carvana	Ernest Garcia, III	Yes	CEO	16,130,247	\$ 4,868,431,150
Casella	John Casella	Yes	CEO	1,123,244	\$ 71,247,367
CoStar	Andrew C. Florance	Yes	CEO	1,955,120	\$ 161,923,038
Coupa	Robert Bernshteyn	No	CEO	1,445,411	\$ 378,856,677
HEICO	Larry Mendelson (Reporting Group)	Yes	CEO	10,370,831	\$ 1,287,849,794
IDEXX	Jonathan J. Mazelsky	No	CEO	229,589	\$ 144,996,933
MarketAxess	Richard McVey	Yes	CEO	545,992	\$ 253,116,431
Mastercard	Michael Miebach	No	CEO	109,618	\$ 40,020,436
Microsoft	Satya Nadella	No	CEO	1,996,235	\$ 540,780,062
Moody's	Robert Fauber	No	CEO	96,968	\$ 35,138,294
MSCI	Henry A. Fernandez	No	CEO	2,014,674	\$ 1,073,982,416
Okta	Todd McKinnon	Yes	CEO	7,634,799	\$ 1,868,082,619
Old Dominion	David Congdon	Yes	Board Member	6,082,220	\$ 1,543,667,436
S&P Global	Douglas L. Peterson	No	CEO	207,715	\$ 85,256,622
ServiceNow	Frederic Luddy	Yes	Board Member	423,183	\$ 232,560,218
Shopify	Tobias Lutke	Yes	CEO	8,135,448	\$ 11,885,726,819
Twilio	Jeff Lawson	Yes	CEO	6,833,644	\$ 2,693,549,119
Unity	David Helgason	Yes	Board Member	29,514,500	\$ 3,241,577,535
Veeva	Peter Gassner	Yes	CEO	17,257,637	\$ 5,366,262,225
Visa	Alfred Kelly	No	CEO	665,760	\$ 155,668,003
Workday	Aneel Bhusri	Yes	CEO	57,144,651	\$ 13,642,713,980
% of Portfolio with Founders		67%	Median CEO & Founder Ownership		\$ 1,180,916,105

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

# Focus Equity Summary

- History of Attractive Risk-Adjusted Returns Through a Variety of Market Environments
- Diligent Portfolio Management that is Active, Flexible, and Tax-Efficient
- Institutional Investment Platform features Consistent Team and Long-Term Focus

## Growth of \$1 Million



As of 06.30.2021. The Growth of \$1 Million chart is hypothetical based upon the composite net of fees performance since inception. Net of fees performance returns are preliminary and are presented net of the investment management fees and trading expenses. Gross of fees performance returns reflect the deduction of trading costs; a client's return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in Sterling's Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. The Growth of \$1 Million is considered Supplemental Information to GIPS Composite Report located in the APPENDIX. Source: Russell Investments, Morningstar.

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.**





Questions? Please use the  
WebEx “Q&A” or “Chat”  
boxes.

# 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 3000® Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000® Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.

**The Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

**The Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**The NASDAQ Composite Index** is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**The Bloomberg Barclays U.S. Corporate Bond Index** measures the investment-grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. The U.S. Corporate Index is a component of the U.S. Credit and U.S. Aggregate Indices, and provided the necessary inclusion rules are met, U.S. Corporate Index securities also contribute to the multi-currency Global Aggregate Index.

**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 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® 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 FT Wilshire 5000 Index™ (FT Wilshire 5000™)** measures the performance of all U.S. equity securities with readily available price data. Approximately 5,000 capitalization-weighted security returns are used to adjust the index.

**The S&P 100**, a sub-set of the S&P 500®, is designed to measure the performance of large-cap companies in the United States and comprises 100 major blue chip companies across multiple industry groups. Individual stock options are listed for each index constituent.

# 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). **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. **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. **Compound Annual Growth Rate (CAGR)**: the measure of an investment's annual growth rate over time, with the effect of compounding taken into account. It is often used to measure and compare the past performance of investments, or to project their expected future returns. **EBITDA**: Earnings Before Interest, Taxes, Depreciation, and Amortization is a metric used to evaluate a company's operating performance. It can be seen as a proxy for cash flow from the entire company's operations. **Return on Invested Capital (ROIC)**: a profitability or performance ratio that aims to measure the percentage return that a company earns on invested capital. **EV/EBITDA**: a ratio that compares a company's Enterprise Value (EV) to its Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA). The EV/EBITDA ratio is commonly used as a valuation metric to compare the relative value of different businesses. (Technical definitions are sourced from Corporate Finance Institute.)

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees.

The opinions contained in the preceding presentation reflect those of Sterling Capital Management LLC, and not those of Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

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Sterling Capital does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.

## Sterling Capital Management – Focus Equity Composite

January 1, 2016 – December 31, 2020

**Description:** Consists of all discretionary separately managed Focus Equity portfolios. Sterling's Focus Equity portfolio investments are flexible and may span growth and value, large- and small-capitalization companies. The strategy seeks positions featuring sustainable, multi-year return profiles underpinned by businesses perceived to possess attractive financial returns, visible reinvestment opportunities, and talented management.

<i>Year</i>	<i>Total Return Gross of Fees</i>	<i>Total Return Net of Fees</i>	<i>No. of Portfolios</i>	<i>Total Assets End of Period (\$MM)</i>	<i>Total Firm Assets (\$MM)</i>	<i>Composite Dispersion (%)</i>	<i>Russell 1000 Growth</i>	<i>Composite 3-yr St Dev (%)</i>	<i>Benchmark 3-yr St Dev (%)</i>
2020	37.58	37.27	19	52.263	70,108	not meaningful	38.49	20.94	19.64
2019	43.95	43.68	2	0.269	58,191	not meaningful	36.39	13.79	13.07
2018	4.15	3.96	2	0.187	56,889	not meaningful	-1.51	13.77	12.13
2017	29.89	29.68	5	0.877	55,908	not meaningful	30.21	N/A	N/A
2016	12.23	12.06	4	0.452	51,603	not meaningful	7.08	N/A	N/A

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. Colin Ducharme, 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, 2015. Creation date: October 31, 2018. Portfolios with an allowance to fixed income securities were permitted in the composite from inception until October 31, 2018. Beginning November 1, 2018, portfolios included in the composite are not permitted to own fixed income securities. Effective 3/31/20, the appropriate benchmark for this composite was changed retroactively to inception from the Russell 3000 Index to the Russell 1000 Growth Index. The Russell 1000® Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of original investment. 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. 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. Beginning 8/1/20, composite returns are calculated by weighting the individual portfolio returns using beginning of period market values. Prior to 8/1/20, composite returns were asset weighted using the average capital base method that reflects both beginning market value and cash flows and uses the aggregate method. This method aggregates market values and cash flows for all the accounts and treats the composite as if it were one account. Composites were revalued for cash flows greater than 5%.
5. Gross of fees returns reflect the deduction of trading costs. Net of fee performance returns are presented after actual management fees and trading expense. The stated fee schedule is: 0.70% on the first \$25 million; 0.60% on the next \$25 million; 0.50% on the next \$25 million; and 0.40% on all amounts exceeding \$75 million on an annual basis as described in Sterling Capital Management's Form ADV, Part 2A.
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.