

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

Special Opportunities SMA

# Sterling Capital Management LLC Risks & Disclosures

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- The material presented in this presentation is as of 06.30.2021, unless otherwise stated.
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- Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients.
- Any type of investment involves risk and there are no guarantees. 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



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**Daniel A. Morrall**  
Executive Director  
Associate PM



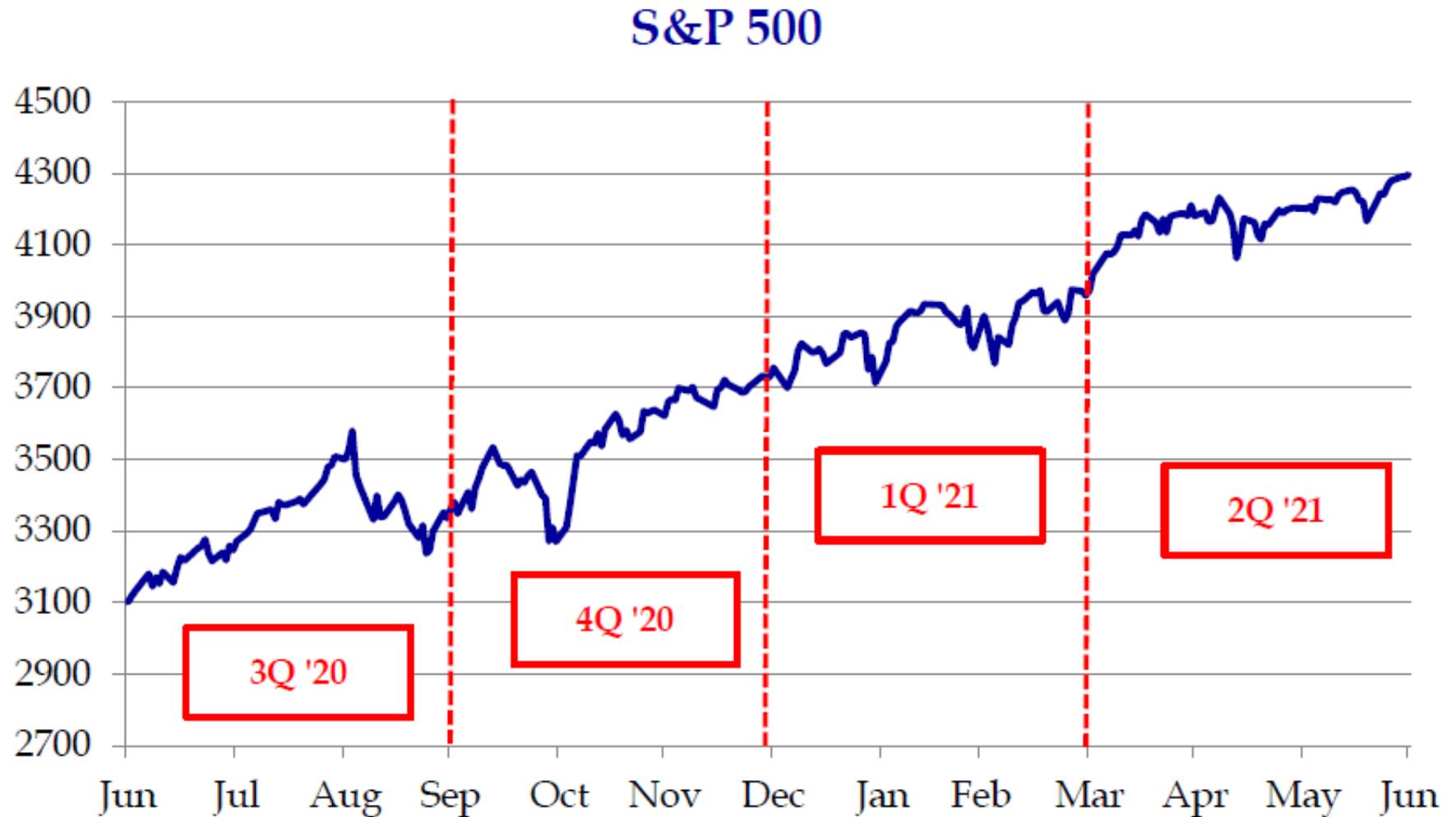
**Whitney L. Stewart, CFA®**  
Executive Director  
Client Portfolio Manager

## WebEx Agenda:

- Equity market and macro environment review
- Special Opportunities SMA review of Q2.2021 performance, activity and positioning
- Equity market outlook
- Q&A

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

# 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.

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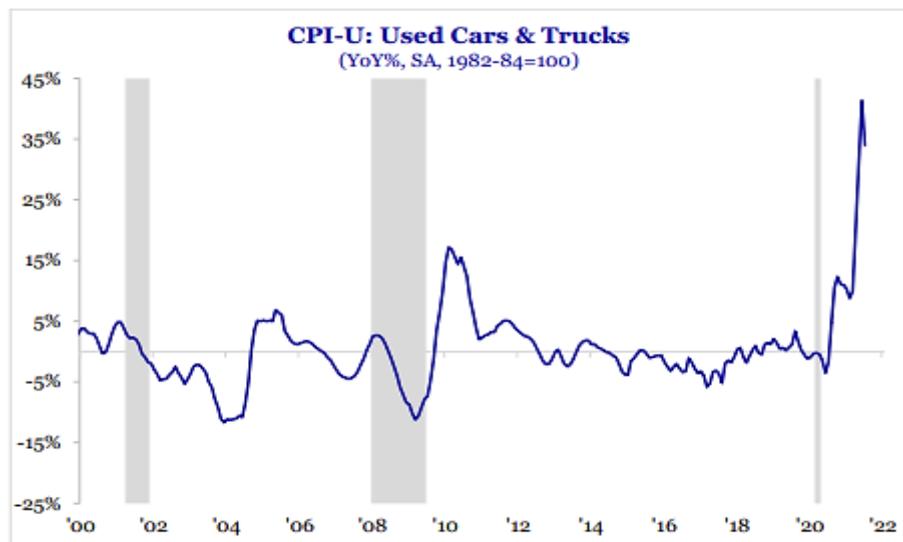


# Market Topics Du Jour

1 **Inflation**

2 **Fiscal and Monetary Policy**

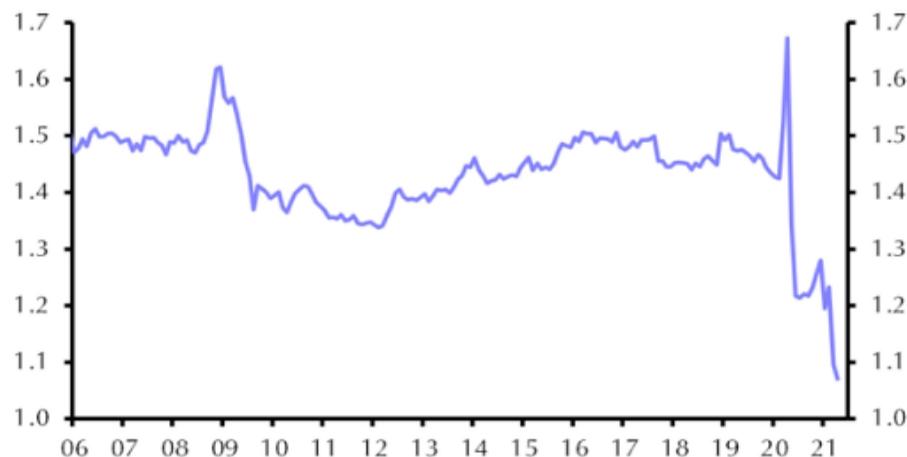
# Is Inflation Structural or Transitory?



“We're beginning to see some cost inflation in certain product categories along with rising transportation costs. To be clear, overall, we have pricing power.”

- William Rhodes III, CEO Autozone

Chart 3: US Retail Inventories/Sales Ratio



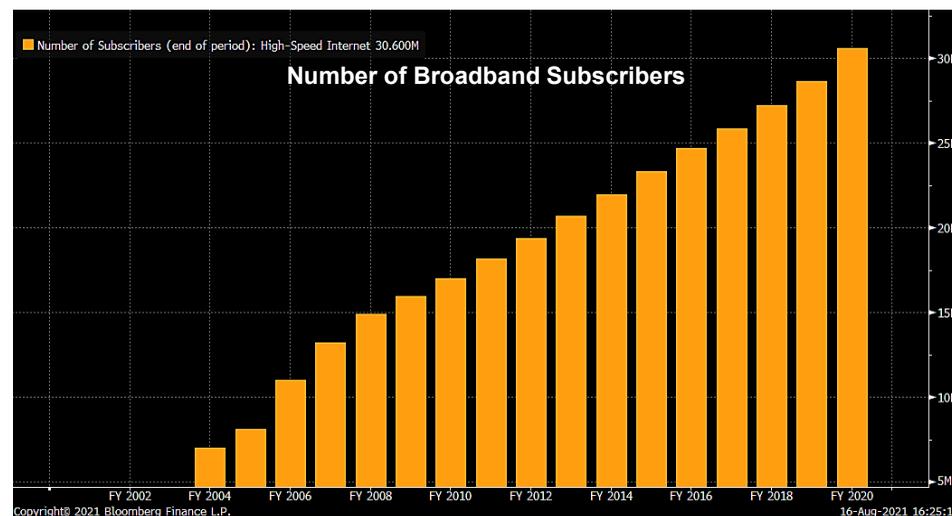
“With the continuation of robust demand, we expect supply to be a challenge for the foreseeable future.”

“It will take several quarters before we're able to rebuild on-hand inventory and channel inventories to our long-term target levels.”

- Peter Kelly, CFO NXP Semiconductors

Source: Strategas Research (top chart), Capital Economics (bottom chart). 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.

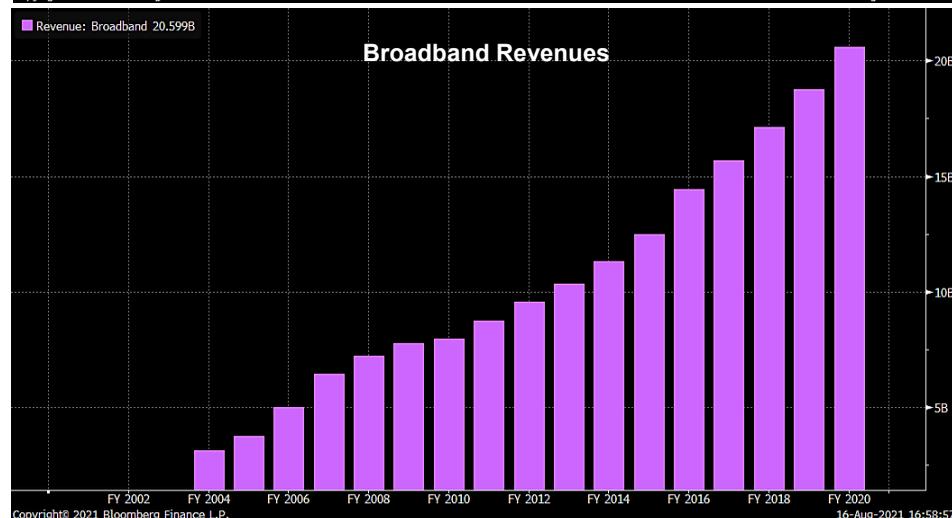
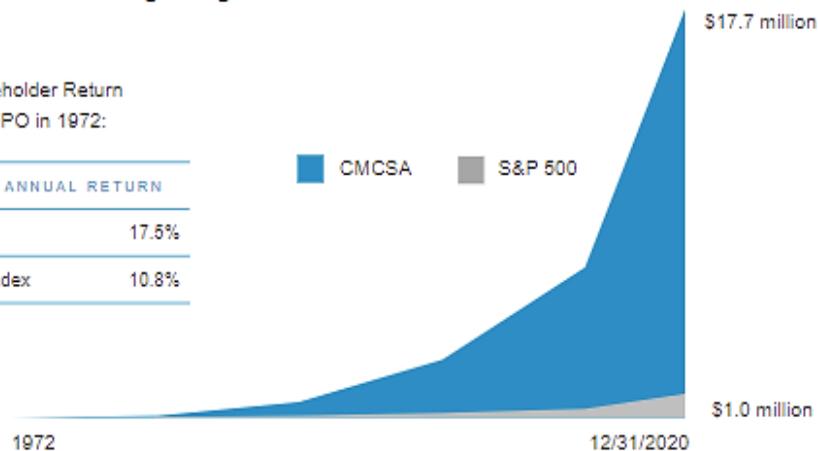
# Pricing Power Can Help Companies Benefit from Inflation



## Focused on Building Long-Term Shareholder Value

Total Shareholder Return  
Since Our IPO in 1972:

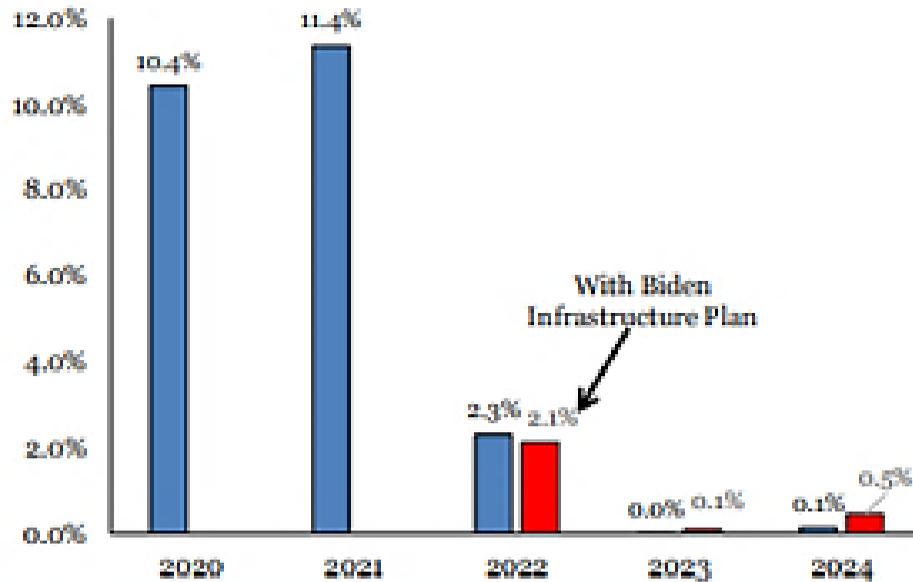
AVERAGE ANNUAL RETURN	
CMCSA	17.5%
S&P 500 Index	10.8%



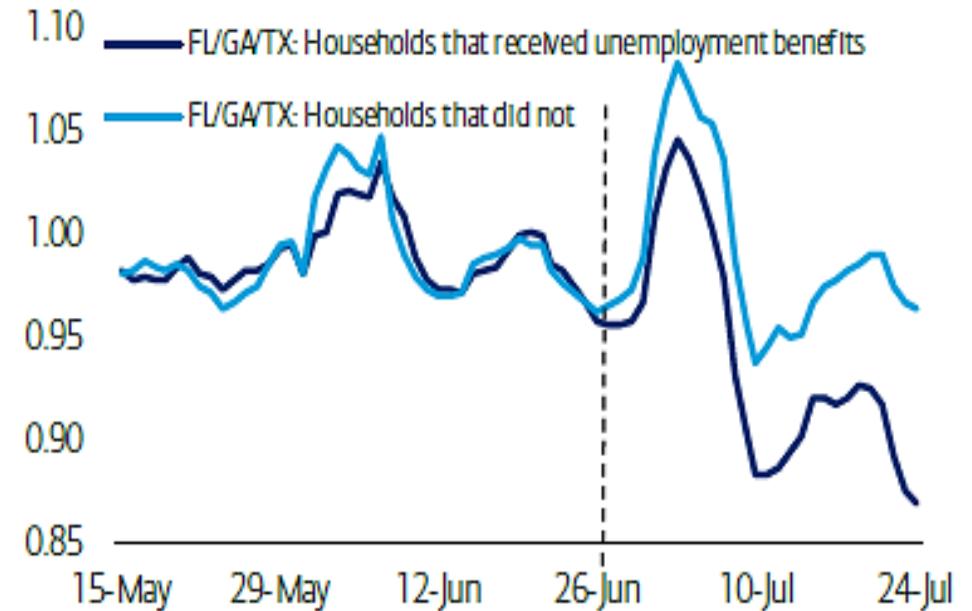
Source: Google Images (top left chart), Comcast (bottom left chart), Bloomberg (bottom and top right charts). The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

# U.S. Monetary and Fiscal Policy

**Fiscal Policy Stimulus,  
% of GDP, FY**



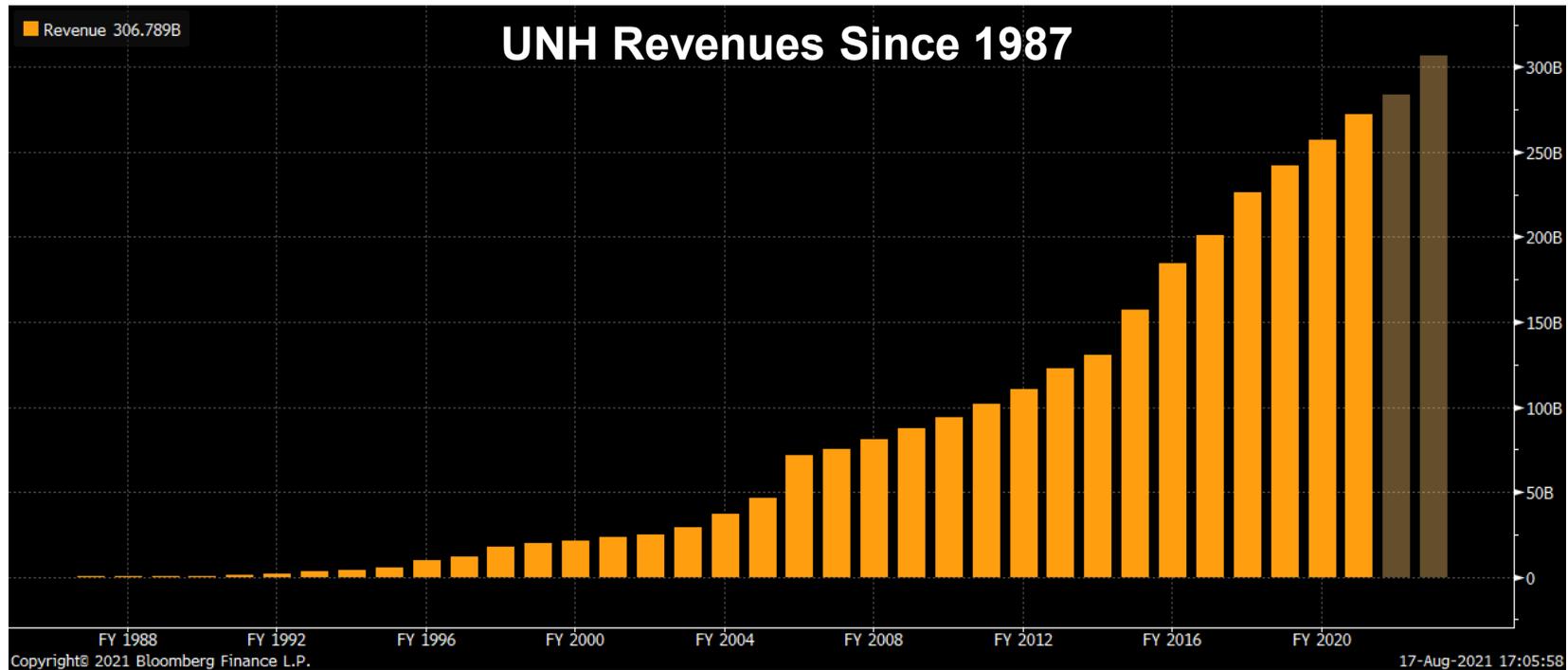
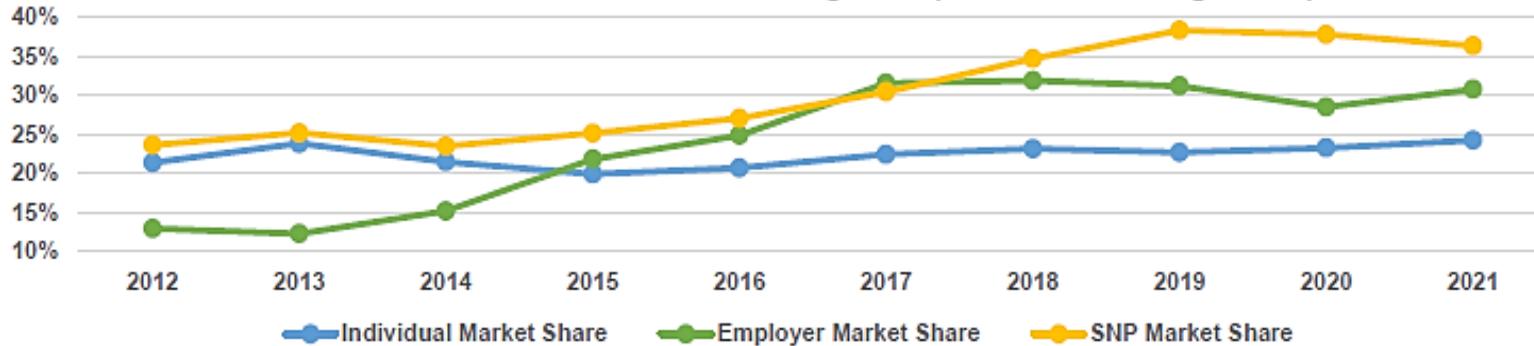
Spending for households receiving UI weakened following the expiration



Source: Strategas Research (left chart), BAC internal data (right chart). 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.

# UnitedHealth Group (UNH)

Exhibit 17 - UNH Market Share for Individual Medicare Advantage, Group Medicare Advantage, and Special Needs Plans (SNP)



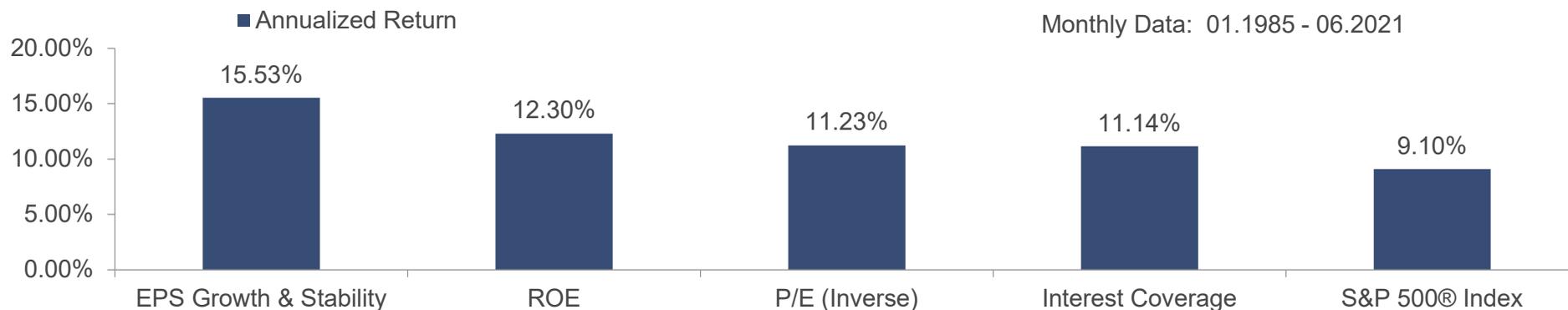
Source: CMS and Wells Fargo Securities, LLC (top chart), Bloomberg (bottom chart). Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities 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.



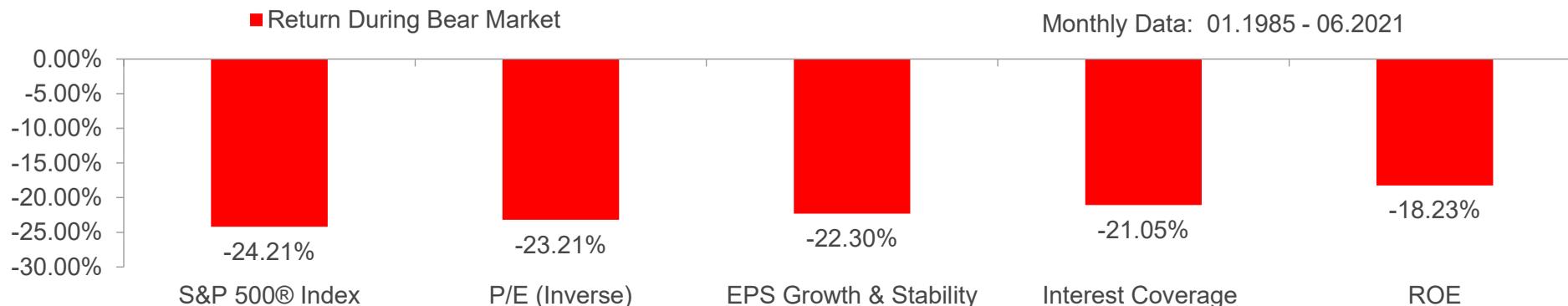
# Equity Opportunities Group Philosophy of Investing

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

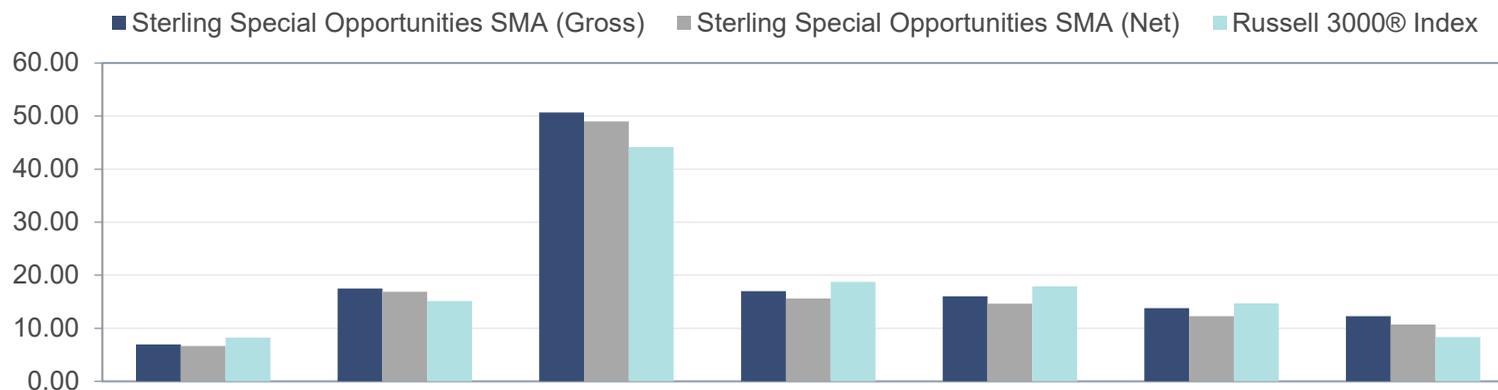


As of 06.30.2021. Source: Ned Davis Research, S&P Dow Jones Indices. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.



# Performance

## Sterling Special Opportunities SMA



Performance	QTR	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception*
Sterling (Gross)	6.94%	17.50%	50.67%	16.97%	16.01%	13.76%	12.29%
Sterling (Net)	6.65%	16.86%	49.01%	15.63%	14.64%	12.25%	10.69%
Russell 3000®	8.24%	15.11%	44.16%	18.73%	17.89%	14.70%	8.36%
S&P 500®	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%	8.03%

\*Inception date is 12.31.2000.

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. "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.**



# Second Quarter Leaders and Laggards

## Q2 Top Five Contributors:

- Alphabet
- Intuit
- Danaher
- Capital One
- TransUnion

## Q2 Bottom Five Detractors:

- Fiserv
- F5 Networks
- Hologic
- Rackspace
- Ball

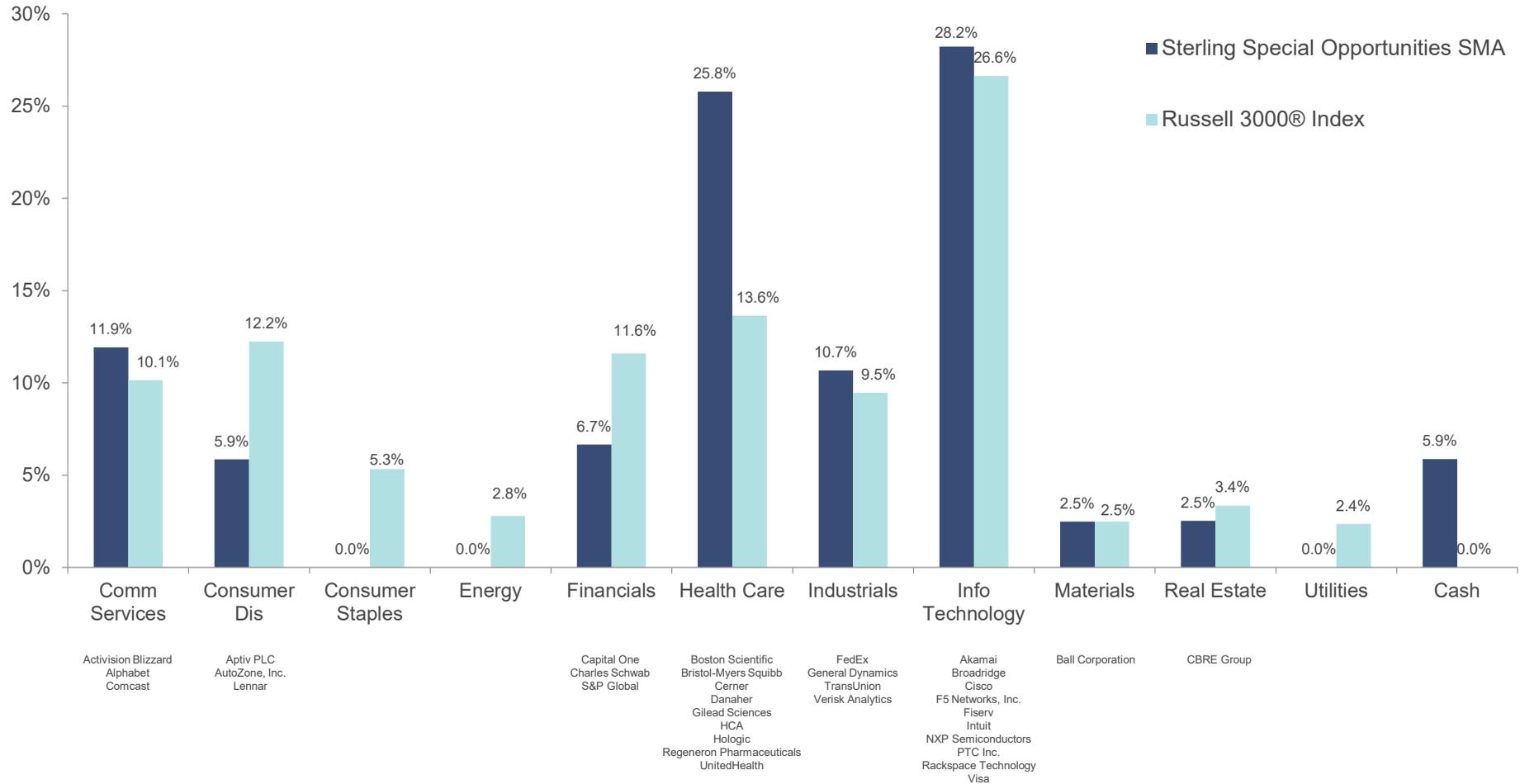
Data as of 06.30.2021. The top/bottom performers are based on quarterly contribution to return. Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. 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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# Special Opportunities SMA Positioning Overweight Healthcare and Technology

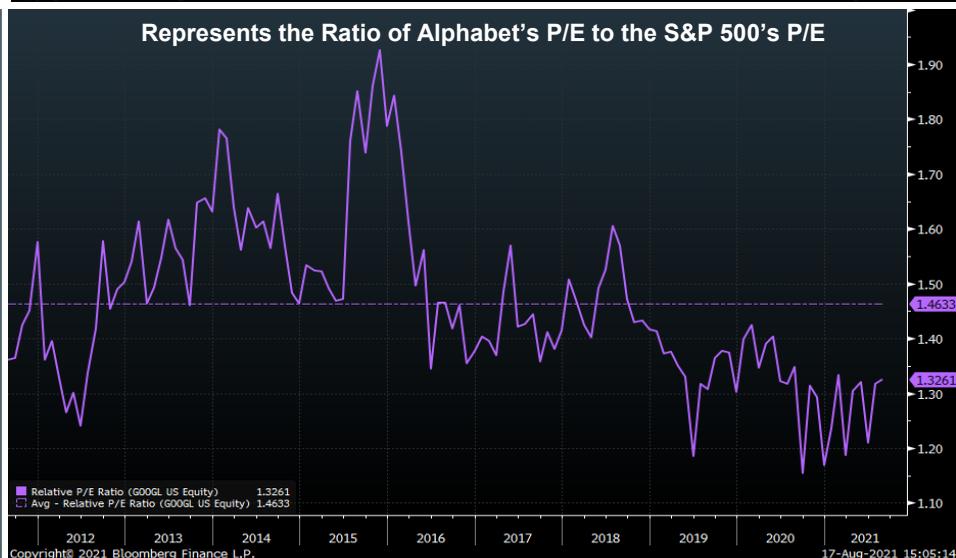
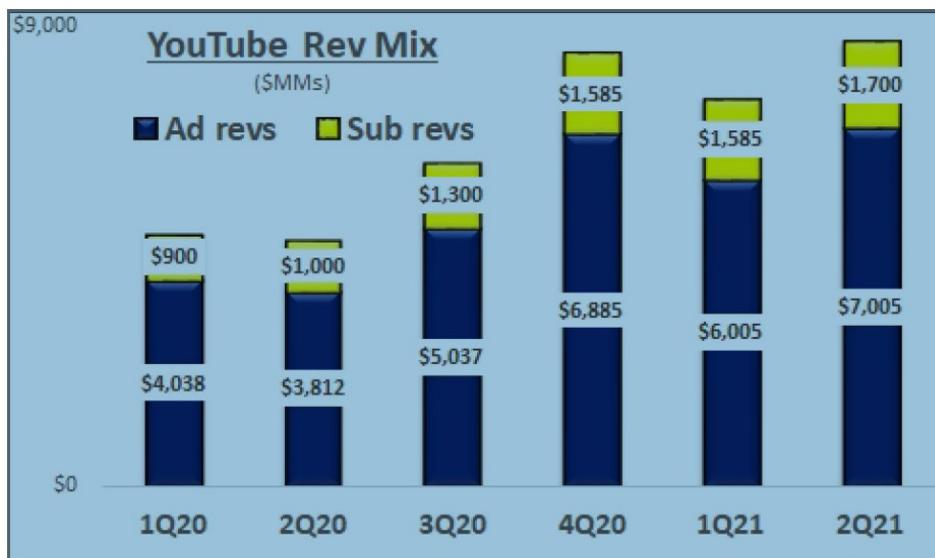
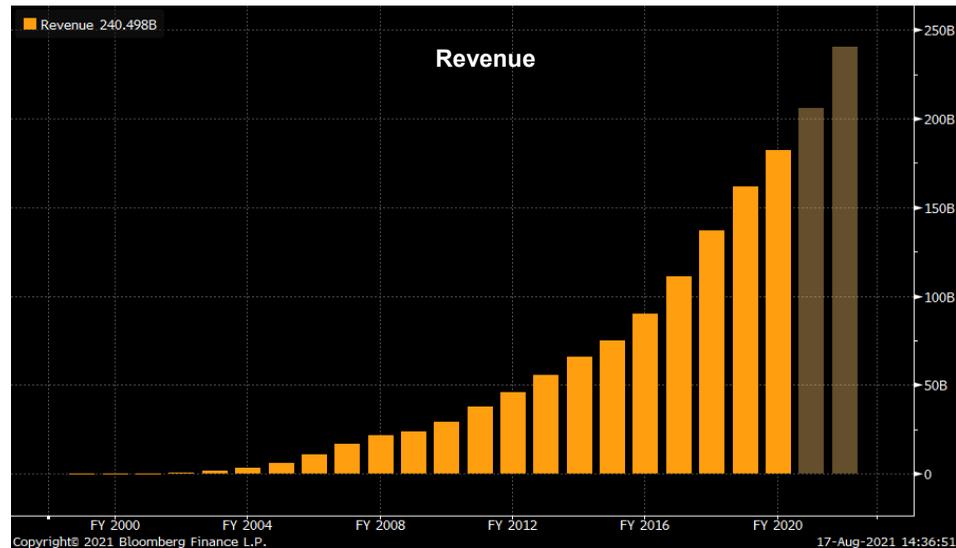
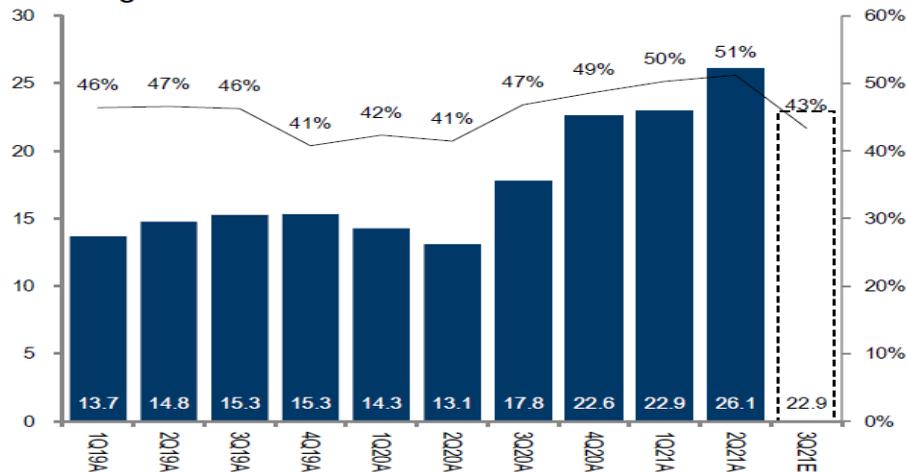
## Sterling Special Opportunities SMA



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.

# Spotlight: Alphabet

**Figure 9: Alphabet Inc. - Quarterly Adjusted EBITDA and Margin**



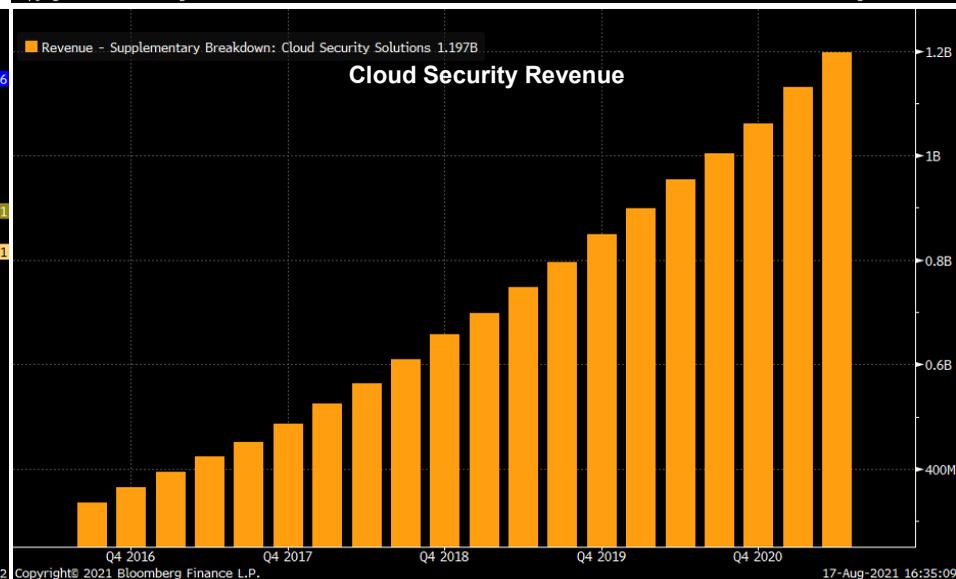
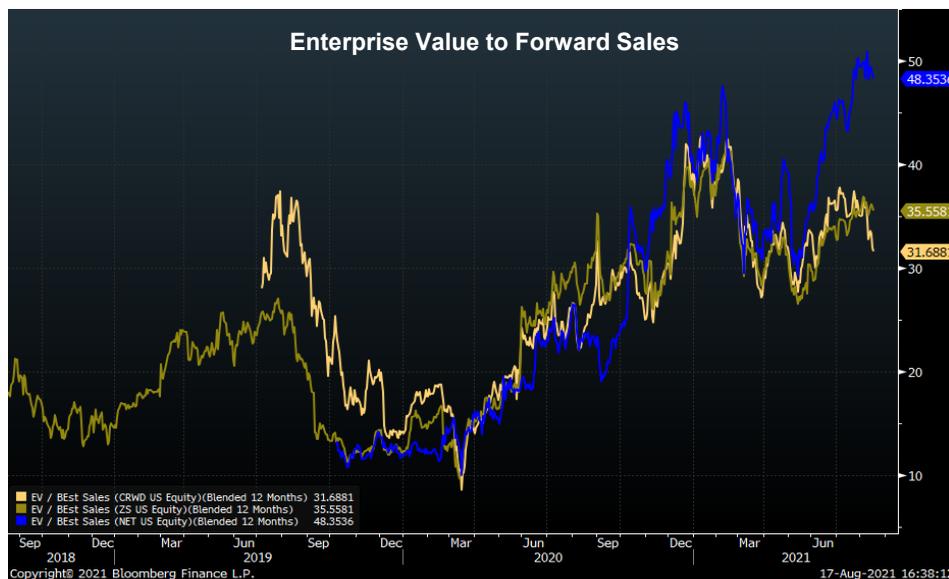
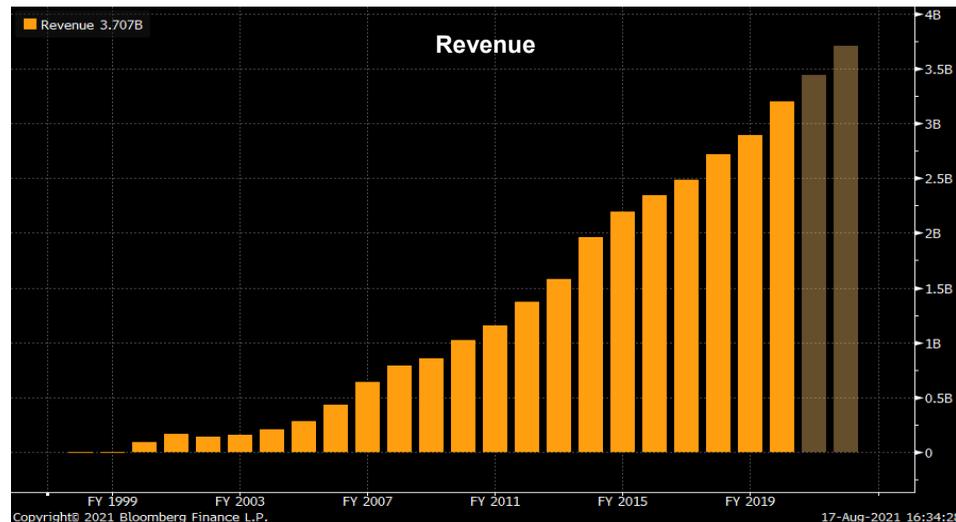
Source: Company data and Credit Suisse estimates (top left chart), Needham & Company research (bottom left chart), Bloomberg (bottom and top right chart). Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances 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. 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.



# Spotlight: Akamai

## Highlights

- Leader in content and application delivery with a mission to make the internet run smoothly
- Stock price 6x in last decade, 30x in the last two decades
- Net cash, durable growth among strong secular trends, high returns on capital
- \$17 billion market cap
- We believe there is hidden value in cloud security



Source: Bloomberg. 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.



# Focused on Our Pillars, Our Day-to-Day Mission Is to Upgrade Quality, at a Reasonable Price

## Special Opportunities as of 08.20.2021

	Growth/Stability				Valuation			Profitability		Balance Sheet	
	20y EPS Growth	21y EPS Growth	22y EPS Growth	'17-'22 EPS CAGR	22y P/E	22y EV/ EBITDA	22y EV FCF Yld	ROE	EBITDA Mgn	Interest Coverage	Leverage
SO Median *	5%	31%	11%	16%	18.9	13.9	4.5%	17.9	30.4	8.6	1.7
R3000 Median	-10%	18%	8%	8%	21.1	13.6	3.7%	9.6	14.7	1.7	2.0
vs Benchmark	<b>15%</b>	<b>14%</b>	<b>3%</b>	<b>8%</b>	<b>-10%</b>	<b>2%</b>	<b>20%</b>	<b>87%</b>	<b>107%</b>	<b>398%</b>	<b>-17%</b>

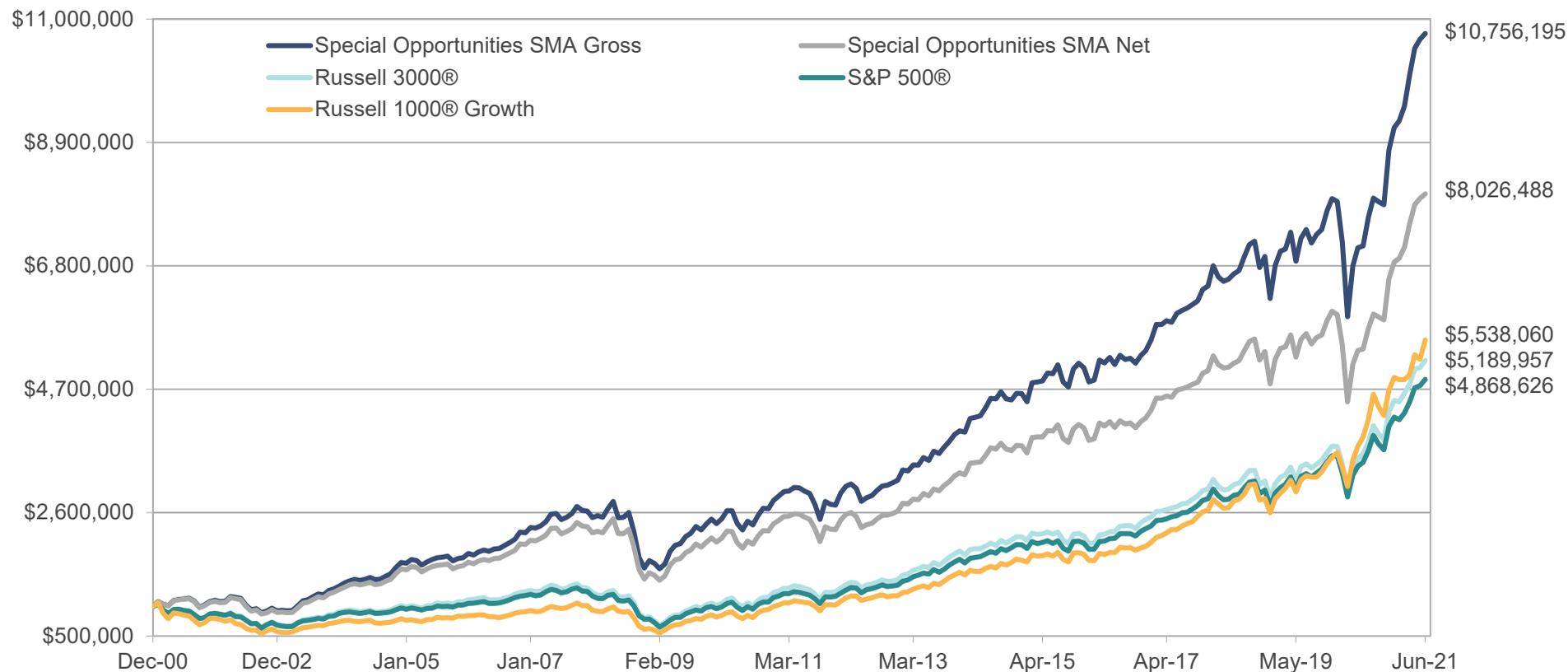
\*Representative account. Data as of 08.20.2021. Source: Bloomberg. The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

Past performance is not indicative of future results.



# Growth of \$1 Million

Sterling Special Opportunities SMA  
Gross and Net of Fees, Since Inception (12.31.2000)



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. "Pure" 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 the GIPS Composite Report located in the APPENDIX. Source: Russell Investments, S&P, eVestment Analytics.

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





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

# 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 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 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). **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. **Gross domestic product (GDP)**: is a standard measure of a country's economic health and an indicator of its standard of living. (Technical definitions are sourced from Corporate Finance Institute.)

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## Sterling Capital Management – Special Opportunities SMA Composite

December 31, 2000 – December 31, 2020

**Description:** Consists of all discretionary separately managed wrap Special Opportunities portfolios. Sterling's Special Opportunities equity portfolios invest primarily in companies with the best perceived combination of underlying growth potential and attractive valuation in a concentrated portfolio that has the flexibility to shift among styles.

Year	Total Return "Pure" Gross of Fees	Total Return Net of Fees	No. of Portfolios	Composite Assets End of Period (\$MM)	Total Firm Assets (\$MM)	Composite Dispersion (%)	Russell 3000	Composite 3-yr St Dev (%)	Benchmark 3-yr St Dev (%)
2020	15.23	13.92	3	419	70,108	Not Meaningful	20.89	20.36	19.41
2019	27.22	25.74	4	525	58,191	Not Meaningful	31.02	12.31	12.21
2018	-3.32	-4.46	4	453	56,889	Not Meaningful	-5.24	10.99	11.18
2017	20.55	19.08	4	493	55,908	Not Meaningful	21.13	9.85	10.09
2016	5.72	4.31	4	721	51,603	Not Meaningful	12.74	10.35	10.88
2015	9.59	8.00	4	901	51,155	Not Meaningful	0.48	9.67	10.58
2014	15.93	14.23	4	927	47,540	Not Meaningful	12.56	9.33	9.29
2013	26.61	24.72	4	850	45,638	Not Meaningful	33.55	13.49	12.71
2012	15.45	13.68	4	718	4,422	Not Meaningful	16.42	15.75	15.95
2011	-2.72	-4.18	3	776	3,932	Not Meaningful	1.03	17.35	19.62
2010	12.79	11.08	3	868	3,548	Not Meaningful	16.93	22.62	22.94
2009	39.65	37.53	2	752	2,839	Not Meaningful	28.34	21.26	20.61
2008	-32.07	-33.08	2	507	1,907	Not Meaningful	-37.31	19.08	16.02
2007	16.24	14.60	1	552	2,059	Not Meaningful	5.14	8.80	8.25
2006	23.07	21.29	1	346	1,314	Not Meaningful	15.72	8.62	7.62
2005	4.67	3.11	1	261	904	Not Meaningful	6.12	10.45	9.63
2004	29.90	27.85	1	155	522	Not Meaningful	11.95	14.87	15.05
2003	45.35	42.97	1	55	158	Not Meaningful	31.06	17.20	18.37
2002	-16.17	-17.58	1	27	51	Not Meaningful	-21.54		
2001	10.65	9.18	1	15	24	Not Meaningful	-11.46		

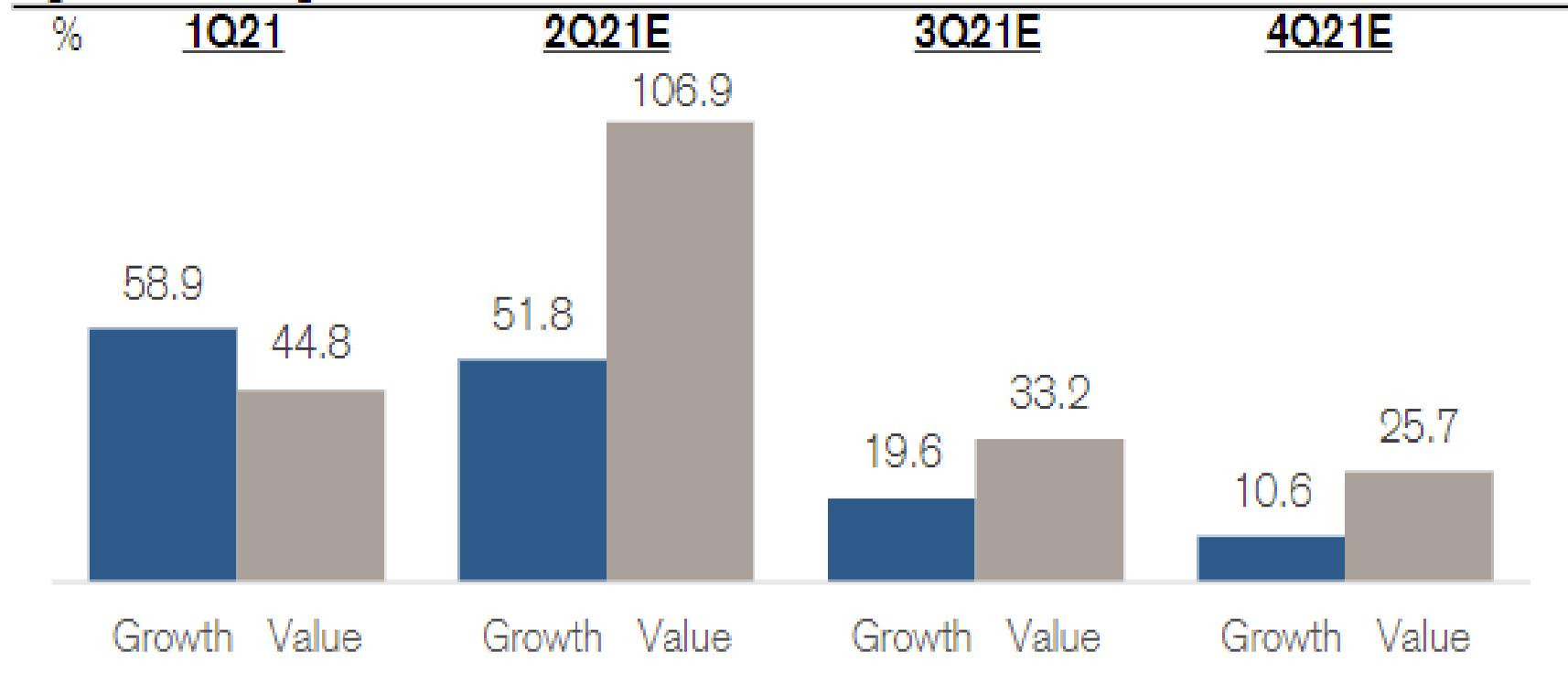
Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sterling Capital Management LLC has been independently verified for the periods 01/01/01 to 12/31/19. The verification 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 index is the Russell 3000 Index which measures the performance of the largest 3,000 US companies, representing approximately 98% of the investable US market. It represents the universe of stocks from which all-cap managers typically select. The index is reconstituted annually. Total return includes price appreciation/depreciation and income as a percent of the 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.

# Growth Is Slowing

**Figure 1: Earnings Growth – Growth vs. Value**



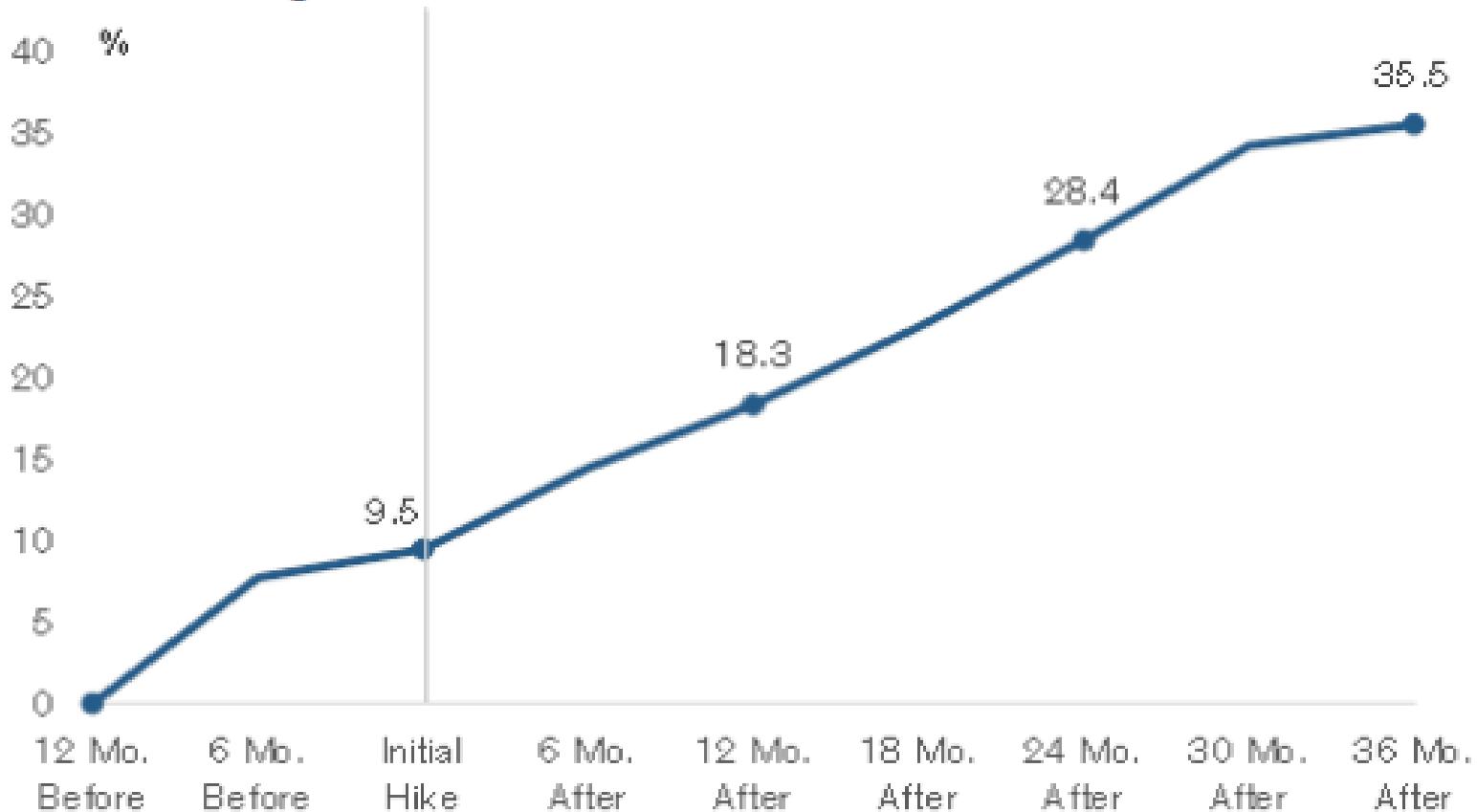
Source: Standard & Poor's, Refinitiv, Credit Suisse. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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



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

## Average S&P 500 Returns Before and After Initial Rate Hike



Source: Credit Suisse. Past performance is no guarantee of future results. 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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