

# Focus Equity SMA Commentary

2nd Quarter 2025

## Quarterly Review

Performance	QTR	YTD	1YR	3YR	5YR	Since Inception <sup>1</sup>
Sterling (Pure Gross)	14.30%	6.25%	17.27%	18.35%	8.72%	14.99%
Sterling (Net)	13.49%	4.70%	13.89%	14.93%	5.56%	11.67%
Russell 1000® Growth Index	17.84%	6.09 %	17.22%	25.76%	18.15%	17.78%

## Performance and Market Update

Focus Equity leapt 14.30% gross and 13.49% net in Q2 as strong results from our portfolio companies drove upside. Broader market strength was also a tailwind as “TACO” (Trump Always Chickens Out) trading relief followed multiple tariff threats and reversals by the U.S. administration and visibility improved throughout the quarter. Investors experienced “The Art of the Deal” firsthand as market whiplash induced by April’s “Liberation Day” announcements first pushed the Chicago Board Options Exchange Volatility Index (CBOE VIX) past 50, a level not breached since the pandemic, before collapsing back below 17 to finish its largest nine-week decline in >35 years.<sup>2,3</sup> Reversing Q1 trends, Technology and Communication Services sectors were strongest while Energy and Healthcare were weakest, with portfolio-specific drivers discussed in *2Q25 Attribution*.<sup>4</sup> Year-to-date, Focus Equity grew 6.25% gross and 4.70% net.

Market breadth improved in Q2 and the dollar experienced its worst first half year since 1973.<sup>5,6</sup> The Treasury curve, as measured by the two- to ten-year maturity spread, continued to steepen despite a policy uncertainty index hitting an all-time high.<sup>7</sup> Mega caps rebounded in the quarter with a cohort of the largest companies expanding their price-to-earnings (P/E) valuation multiple in 2025 by *more than twice* the level as the other 95%, despite large firms experiencing flat free cash flow (FCF) growth year-over-year (y/y).<sup>8</sup> The Russell 1000® Growth Index (R1000G) grew 17.84% and the “Fateful Eight” cohort of large companies drove 70% of benchmark performance, with NVIDIA alone comprising 125% of index quarterly performance difference versus Focus Equity.<sup>9,10</sup>

<sup>1</sup>Inception date is 12.31.2015. Data is as of 06.30.2025. The benchmark is the Russell 1000 Growth. The net of fee performance reflects the deduction of the maximum SMA bundled fee of 3.00% annually for all periods presented. Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the SMA bundled fee, which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. “Pure” Gross of fees performance returns do not reflect the deduction of any fees including trading costs: a client’s return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in SCM’s Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index: however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the attached GIPS Composite Report for additional disclosures. Sources: Russell Investments; eVestment Alliance; Sterling Capital Management Analytics.

<sup>2</sup>Sterling Capital analysis of Bloomberg data.

<sup>3</sup>Creative Planning. The CBOE Volatility Index (VIX), also known as the Fear Index, measures expected market volatility using a portfolio of options on the S&P 500. The “Liberation Day” plan includes a 10% tariff on all imports as well as reciprocal tariffs for 60 nations including 34% on China, 32% on Taiwan, 46% on Vietnam, 20% on the European Union, 25% on Canada, and 25% on Mexico.

<sup>4</sup>Sterling Capital analysis of Bloomberg data.

<sup>5</sup>The New York Times.

<sup>6</sup>The Wall Street Journal.

<sup>7,8</sup>Sterling Capital analysis of Strategas data.

<sup>9</sup>Nasdaq.

<sup>10</sup>Sterling Capital analysis of Bloomberg data. The “Fateful Eight” refers to a group of eight large technology and related companies, expanding on the previous “Magnificent Seven” by including Broadcom.

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To quickly follow up on our 1Q25 commentary highlighting the London Stock Exchange Group (LSEG)'s Russell index methodology updates in March that formulaically capped the weights of mega-cap constituents, it's important to underscore the R1000G's June reconstitution which also reduced mega-cap exposure.<sup>11,12</sup> Simply put, Amazon, Alphabet, and Meta have moved, in part, to the Russell 1000® *Value* index to comprise roughly 5.5% of its overall weight, which we believe helps LSEG contend with U.S. regulatory fund limits on R1000G index concentration.<sup>13</sup> We speculate this development could help support broader market participation and be another positive for Focus Equity as the strategy has weighted exposures that differ from, or aren't included in, the R1000G.

## 2Q25 Attribution

Leading Contributors	Portfolio Weight	Total Return	Gross Contribution to Return
Adyen N.V. UnSp ADR	13.49%	20.44%	2.82%
Microsoft	6.72%	32.75%	2.05%
IDEXX Labs	7.33%	27.72%	1.89%
Tokyo Electron U-ADR	3.34%	42.50%	1.23%
ServiceNow	3.89%	29.13%	1.11%

Sources: FactSet; Sterling Capital Management Analytics.

**Adyen** delivered solid performance, in our view, with net revenue growing 22% y/y, demonstrating resilience in challenging market conditions and growing net take rates approximately four basis points (bps) y/y.<sup>14</sup> Most encouraging to us was the first-time disclosure of net revenue by business pillar, revealing diversified growth momentum across all three segments. Platforms grew 63% y/y, driven by accelerated customer onboarding, Unified Commerce maintained 31% growth, and Digital showed 13% growth amid the expected headwind from CashApp customer churn.<sup>15</sup> Productivity continues to improve and net revenue per average full time employee expanded 17%, illustrating that Adyen's strategic hiring spree over the past two years appears to be generating meaningful returns. Underlying volume trends accelerated to 29% y/y, demonstrating robust organic momentum beneath the headline noise. Looking forward, we think innovative products alongside a new strategic selling partner program position the company well for sustained market share gains and wallet expansion opportunities.<sup>16</sup>

<sup>11</sup>London Stock Exchange Group.

<sup>12</sup>MFS Investment Management.

<sup>13</sup>London Stock Exchange Group.

<sup>14</sup>Adyen.

<sup>15</sup>Adyen earnings call transcript.

<sup>16</sup>Adyen.

Please refer to the Performance Disclosure found on page 10.

Please refer to the preceding table titled "Performance", which provides the gross and net of fee returns of the composite, including performance results for the prescribed 1 year, 5 year, and 10 year periods (or since inception, as applicable).

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**Microsoft** delivered robust momentum in its cloud and artificial intelligence (AI) transformation, including strong operating margins of 45.7%.<sup>17</sup> Azure was a standout, in our view, growing 35% ex-foreign exchange currency impact (FX). We feel this was a meaningful acceleration from prior quarters' execution challenges with AI services contributing 16 points of growth.<sup>18</sup> Microsoft processed over 100T tokens this quarter, up 5x y/y. Broad-based growth was evident across segments as Productivity & Business Processes grew 13% ex-FX and More Personal Computing turned in 7% growth, supported by robust search advertising performance. Operating expenses grew only 2% y/y ex-FX, the lowest growth in four years. Commercial bookings increased 18%, driven by Azure commitments. We viewed company management's Q4 Azure guidance of 34-35% ex-FX growth as healthy and indicative of continued business momentum while balancing some AI capacity constraints as demand outpaces supply additions.<sup>19</sup>

**IDEXX** showed robust performance across multiple segments, including 4.5% organic growth in Companion Animal Group (CAG) recurring revenues and 7% growth in veterinary software and imaging.<sup>20</sup> Another highlight was the accelerating rollout of its new inVue Dx analyzer.<sup>21</sup> After placing 302 units in 1Q25, the company ramped up to approximately 600 placements in April alone as it transitioned from controlled to broad availability and approached its full-year target of 4,500.<sup>22</sup> Cancer Dx, a first-of-its-kind canine lymphoma diagnostic, also showed promising early traction with over 1,000 different veterinary clinics ordering the test. International markets continued their strong performance with 8.5% organic recurring revenue growth in CAG, reflecting market share gains alongside customer retention levels in the high 90s. With improved diagnostic frequency and utilization per visit, company management maintained full-year guidance of 6-9% organic revenue growth while increasing the operating margin outlook.

**Tokyo Electron** delivered robust logic/foundry results alongside strong performance in Taiwan and South Korea despite an 8.4 percentage point decline in China's contribution.<sup>23</sup> The company demonstrated impressive operational leverage, in our view, with a gross margin of 47.4%. They maintained strong gross margins despite the reduced Chinese sales mix, which typically carries higher margins.<sup>24</sup> Tokyo Electron's etching business emerged as a key growth driver with the company announcing significant market share gains, including 100% share wins in Dynamic Random Access Memory (DRAM) capacitor etching from major customers and successful penetration in NAND cryogenic etching processes.<sup>25</sup> Advanced packaging also showed momentum with bonder/debonder sales tripling over two years, exceeding previous guidance. Looking ahead, the company expects 56% of revenue and approximately 60% of operating profit to materialize in the second half, according to a recent earnings call, reflecting typical seasonal patterns and customer investment timing. They maintain an unchanged wafer fab equipment (WFE) market outlook of double-digit 2026 growth driven by AI, advanced logic, and memory technology transitions.<sup>26</sup>

<sup>17</sup>Microsoft press release and webcast.

<sup>18</sup>Microsoft Q3 FY25 financial announcement.

<sup>19</sup>Microsoft Q3 FY25 results

<sup>20</sup>IDEXX earnings release.

<sup>21</sup>IDEXX earnings call transcript.

<sup>22</sup>IDEXX 1Q25 earnings highlights.

<sup>23</sup>TEL financial results.

<sup>24</sup>TEL FY25 financial announcement.

<sup>25</sup>TEL FY25 financial announcement transcript.

<sup>26</sup>TEL Q4 FY25 earnings briefing Q&A.

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**ServiceNow** delivered solid ex-FX subscription revenue growth of 20% despite a challenging macro environment while current remaining performance obligations (cRPO) grew 22%.<sup>27</sup> The company surpassed the milestone of 500 customers billing greater than \$5MM in annual contract values (ACVs), up from 425 a year ago. Their operating margin reached 31% while the FCF margin hit 48%.<sup>28</sup> AI acceleration stood out to us, with Pro Plus deals quadrupling y/y while broad-based industry performance included manufacturing delivering >100% net new ACV growth y/y and healthcare growing >70%.<sup>29</sup> The federal sector remained resilient with 30% growth despite Department of Government Efficiency (DOGE) concerns, while customer relationship management (CRM) and industry workflows continued strong momentum, appearing in 16 of the top 20 deals. Geographically, ServiceNow saw particular strength in Japan and Europe, the Middle East, and Africa (EMEA), with CRM workflows growing net new ACV >50% y/y in these regions. The company maintained its strong 98% renewal rate, underscoring customer satisfaction, and raised full-year guidance despite potential macro headwinds.

Leading Detractors	Portfolio Weight	Total Return	Gross Contribution to Return
Saia	2.05%	-21.59%	-0.60%
Atlassian CI-A	3.62%	-4.30%	-0.14%
Old Dominion	2.51%	-1.73%	-0.07%
HubSpot	3.74%	-2.57%	-0.02%
MSCI CI-A	3.54%	2.31%	0.05%

Sources: FactSet; Sterling Capital Management Analytics.

**Saia's** operating ratio (OR) deteriorated to 91.1% as Saia didn't witness typical seasonal volume improvements, with legacy facilities experiencing sequential shipment declines while newer facilities showed modest 3% growth.<sup>30</sup> Notably, company management emphasized that current challenges reflect Saia's strategic investment phase rather than structural issues, and we think the quarter was marked by several headwinds that obscured underlying progress.<sup>31</sup> The 21 terminals that opened in 2024 operated near breakeven in 1Q25 but are expected to turn profitable as density improves per company management. These newer facilities drove the majority of tonnage growth (12.8% y/y) and represent long-term value creation opportunities as Saia builds its national network. In addition, several other encouraging trends emerged. Weight per shipment increased 7.8% y/y, indicating healthier freight mix, contractual renewals averaged 6.1%, reflecting customer confidence in service quality, and management expects marked improvement in the 2Q25 OR per a recent earnings call.

<sup>27</sup>ServiceNow 1Q25 financial results.

<sup>28</sup>ServiceNow 1Q25 earnings call transcript.

<sup>29</sup>AServiceNow 1Q25 investor presentation.

<sup>30</sup>Saia 1Q25 earnings call transcript.

<sup>31</sup>Saia 2Q25 earnings conference call.

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**Atlassian's** revenues grew 14.1% y/y with Cloud segment as the standout performer, increasing 25% y/y and demonstrating continued deployment momentum.<sup>32</sup> Efficiency also improved as disciplined cost management drove non-generally accepted accounting principles (GAAP) gross margin expansion of 100 bps.<sup>33</sup> Across its platform, Atlassian now has over 1.5MM monthly active users of Rovo AI included in premium enterprise subscriptions.<sup>34</sup> The company reiterated its commitment in a recent earnings call to achieving a 20% revenue compound annual growth rate (CAGR) through fiscal year (FY)27 supported by expanding cloud adoption, AI integration, and growing enterprise penetration. The addition of FedRAMP authorization further opens federal government opportunities, which we believe significantly expands their addressable market at a moment when software modernization is being incentivized and prioritized by the new administration.<sup>35</sup>

**Old Dominion's** revenue declined but we think that despite shipper volume headwinds, operational discipline remained impressive, including 99% on-time performance and cargo claims below 0.1%, which we feel demonstrates unmatched value proposition to customers.<sup>36</sup> We see improving trends as the company achieved sequential improvements in productivity metrics with both platform and pickup & delivery shipments per hour increasing despite a 5% decline in daily shipments. Pricing power remained resilient, in our view, underscoring the structural advantages of the company's premium service offering and supporting the long-term thesis of less-than-truckload (LTL) pricing durability over truckload.<sup>37</sup> Looking ahead, we believe Old Dominion is well-positioned for a freight upswing after investing \$1.5B in capital expenditures (CapEx) over the past two years, creating 30% excess service center capacity to absorb volume increases when freight markets recover. The company's strategic positioning remains compelling to us due to industry-leading margins, solid service metrics, ample network capacity, and proven share-gain capabilities.

**HubSpot** delivered strong results with revenue growing 18% y/y as the company grew net new customers 19% y/y.<sup>38</sup> We see the company's platform strategy gaining traction, with 37% of Pro+ customers now using four or more hubs since more are choosing to start with the full platform, demonstrating strong product-market fit.<sup>39</sup> Large deals (\$3,000+ monthly recurring revenue (MRR)) accelerated to 23% growth and AI usage is accelerating as customer agent adoption doubled in three months. The company is expanding customer agents across every hub with plans to introduce credit-based monetization starting in June. Operating margins remained healthy at 14% despite increased AI investments with solid FCF (17% margin) and a robust \$2.2B in balance sheet cash. Company management authorized the company's first-ever \$500MM share repurchase program, which we feel reflects confidence in long-term growth prospects.<sup>40</sup>

<sup>32</sup>Atlassian investor relations data sheet.

<sup>33</sup>Atlassian Q3 FY25 results.

<sup>34</sup>Atlassian Q3 FY25 shareholder letter.

<sup>35</sup>Atlassian earnings call transcript.

<sup>36</sup>Old Dominion press release.

<sup>37</sup>Old Dominion May 2025 presentation.

<sup>38</sup>HubSpot 1Q25 results.

<sup>39</sup>HubSpot 1Q25 earnings call.

<sup>40</sup>HubSpot investor presentation.

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**MSCI** delivered solid 10% organic revenue growth, 11% adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) growth, and 14% adjusted earnings per share (EPS) growth.<sup>41</sup> The company's retention rate exceeded 95%, which we feel represents a meaningful improvement from the prior year, while repurchasing \$275MM in shares through April. The Index segment led performance with 9% subscription run rate growth, fueled by 18% asset-based fee revenue growth as MSCI appeared to benefit from the highest 1Q25 cash flows into MSCI-linked exchange-traded fund (ETF) products since 2021.<sup>42</sup> Custom indexes showed particular strength with 15% subscription run rate growth, supported by the Foxberry F9 platform integration. Non-ETF assets under management (AUM) reached nearly \$3.9T, growing 20% y/y. The company achieved retention rates exceeding 96% in Index and 95% in Analytics, with >60% recurring net new sales growth in both product lines.<sup>43</sup> We think MSCI's mission-critical tools become even more valuable when clients need enhanced transparency, stress testing, and risk analytics.

## Portfolio Changes and Diligence Updates

No material changes were made to Focus Equity portfolio holdings during 2Q25. However, we kept a busy due diligence calendar featuring a variety of management, customer, and industry meetings that, in our view, yielded helpful incremental insights to inform our portfolio investment theses.

We observed strong momentum across multiple growth vectors emerging from **ServiceNow's** Knowledge 2025 conference, as company management reiterated its ambitious targets including \$15B+ subscription revenue by FY26 and introduced a new \$1B AI ACV target (up from \$250MM previously), signaling aggressive AI monetization plans.<sup>44</sup> Key financial highlights show robust health, with 120% net revenue retention (NRR) and 85%+ of new ACVs coming from existing customers and 70% of customers increasing spend. 17% have already adopted Now Assist and it is anticipated that another 55% are planning future adoption. We think the Moveworks acquisition presents significant cross-sell opportunities as 70% of Moveworks' ~350 customers are already ServiceNow clients. The updated total addressable market (TAM) forecast of \$350B by 2027 (versus previous \$275B by 2026) reflects accelerating AI and data opportunities across the platform.

At **Atlassian's** Team '25 conference, we saw strong momentum across multiple fronts. A key development was embedding Rovo AI functionality directly into core products (Jira, Confluence, and JSM) for Premium and Enterprise customers. We view the monetization shift from separate \$20/month pricing to consumption-based models as strategically superior for driving adoption and securing long-term positioning in the agentic AI opportunity.<sup>45</sup> We found JSM's success penetrating service management markets particularly encouraging as it appeared to benefit from Atlassian's rapid innovation pace to help sustain enterprise expansion.

<sup>41</sup>MSCI 1Q25 financial results.

<sup>42</sup>MSCI 1Q25 quarterly update.

<sup>43</sup>MSCI 1Q25 earnings presentation.

<sup>44</sup>ServiceNow Financial Analyst Day presentation May 2025.

<sup>45</sup>Atlassian company news.

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One key highlight from **Alphabet's** Google I/O conference was its rollout of full AI Mode in search, moving from testing to general availability.<sup>46</sup> In major markets like the U.S. and India, AI Overviews are already driving >10% query volume increases, which we feel may give company management confidence to expand the feature. We think it better positions Google to directly compete with OpenAI by leveraging infrastructure advantages including Tensor Processing Units (TPUs), distribution reach, and web connectivity. For example, monthly token processing has surged 50x year-over-year, suggesting its Large Language Model (LLM) catch-up phase may be ending. Additional growth drivers include the premium Google AI Ultra subscription tier at \$249.99/month (competitive with OpenAI Pro), new video generation models, and the development of Android XR smart glasses.

**Shopify** announced its "Horizon Edition" Summer '25 updates featuring significant enhancements across multiple growth areas.<sup>47</sup> The company strategically addressed tariff challenges by introducing streamlined cross-border commerce tools including direct duty collection at checkout, embedded tariff pricing, and an AI-powered tariffguide.ai classification tool. We believe these improvements position Shopify advantageously for potential trade disruptions, which we feel is particularly important given that cross-border transactions represent ~15% of total gross merchandise value (GMV) with roughly half involving U.S. trade. The AI capabilities received substantial upgrades through an enhanced Sidekick assistant now featuring multi-step reasoning, proactive business analysis, and expanded functionality including AI image generation and customer segmentation. Shopify also launched early access to its Shopify Catalog for AI shopping agents, which we think demonstrates strong positioning in the emerging AI commerce space. Business-to-business (B2B) momentum continues accelerating with 109% year-over-year GMV growth in 1Q25. New B2B Markets expansion, additional app integrations including NetSuite and QuickBooks, and the removal of sales minimums for the Shopify Collective marketplace may further drive this emerging growth lever.

## Outlook

As 2025 marks Focus Equity's tenth year since its 2015 inception, it's timely to step back and review strategy milestones. On day one, among our goals at that time was to underwrite mid-teens returns from a concentrated roster of long-term holdings that differed from the index (which could be cheaply replicated via passive investment). The results are in: since Focus Equity's inception, returns compounded at 14.99% gross and 11.67% net despite the strategy having *never* owned five of the "Fateful Eight" mega-cap stocks that have comprised 55% of R1000G returns over that timeframe.<sup>48</sup> Moreover, the portfolio remains highly differentiated from the index: more concentrated with 95% fewer holdings, significantly smaller with 95% lower-weighted median market capitalization, higher quality with median net cash versus R1000G's net debt, and differentiation for the long term with 84% active share and 18% turnover (implying >5-year holds).<sup>49</sup>

<sup>46</sup>Google IO.

<sup>47</sup>Shopify editions.

<sup>48</sup>Sterling Capital analysis of Bloomberg data.

<sup>49</sup>Sterling Capital analysis of LSEG Russell data.

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Using our farsighted lens, we maintain abiding optimism as we believe Focus Equity remains well positioned for the long term. One proof statement informing our view is Russell index performance data for the past decade which shows Large Growth compounding annually at a mid-teens rate, more than 700+ bps faster than Large Value and more than *twice* as fast Small Growth and Value.<sup>50</sup> Large Growth also displayed resilience through significant market drawdowns like 2022 as it outperformed those same combinations of size and style since both that year's market peak and its low. Those figures help validate our view that, despite macro fog, Focus Equity is positioned within an attractive and durable market segment over the long term.

We'll close with a reminder that we continue to value ownership mindsets. To that end, it's important to reemphasize that Focus Equity remains part of your portfolio manager's family investment. Put simply, we eat our own cooking and are strongly incentivized to continuously protect and grow your Focus Equity investment.

Just below the text of this letter you will find Focus Equity's quarter-end position list. The strategy remains concentrated in 21 active positions with 43% of assets in the top five, 66% in the top ten, and 83% in the top 15 positions. We have relatively few eggs but watch our basket closely.

Thanks for your trust and investment in us.

*Colin Ducharme*

Colin Ducharme, CFA®  
Portfolio Manager

<sup>50</sup>J.P. Morgan Asset Management.



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## June 30, 2025 Positions<sup>51</sup>

Adyen .....	13.1%
S&P Global .....	8.2%
IDEXX .....	7.7%
Microsoft .....	7.2%
CoStar .....	6.8%
Amazon .....	5.5%
Veeva .....	5.0%
Alphabet .....	4.5%
Shopify .....	4.1%
ServiceNow .....	4.0%
Tokyo Electron .....	3.9%
ASML Holding .....	3.7%
Workday .....	3.4%
MSCI .....	3.4%
Hubspot .....	3.3%
Atlassian .....	3.3%
Synopsys .....	3.2%
Cadence .....	3.1%
Old Dominion .....	2.4%
MongoDB .....	1.9%
Saia .....	1.8%
Cash .....	0.5%
<b>Top 5 Total</b>	<b>43.0%</b>
<b>Top 10 Total</b>	<b>66.1%</b>
<b>Top 15 Total</b>	<b>83.8%</b>
<b>Top 20 Total</b>	<b>97.7%</b>

<sup>51</sup>Representative Account. Holdings note: The weightings for your account may differ somewhat from the figures above due to variations in account holdings, trade timing, and other client-specific circumstances. For illustrative purposes only. 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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# Important Information

## Disclosures

**Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Economic charts are provided for illustrative purposes only. The information provided herein is subject to market conditions and is therefore expected to fluctuate.**

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

**The Russell 1000® 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.

Technical Terms: **Annual contract value (ACV)** is a sales metric for the SaaS industry, also known as "ACV bookings," that typically represents the average annual contract value of a customer subscription. **Assets under management (AUM)** is the market value of the investments managed by a person or entity on behalf of clients. AUM is used in conjunction with management performance and management experience when evaluating a company. **Capital expenditures (CapEx)** are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company. **The compound annual growth rate (CAGR)** is the rate of return (RoR) that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span. **Current Remaining Performance Obligation (cRPO)** is a SaaS metric that measures the portion of a company's RPO that is expected to be recognized as revenue within the next 12 months. RPO is the total of a company's future performance obligations, which includes deferred revenue and backlog. **DRAM (dynamic random access memory)** is a type of semiconductor memory that is typically used for the data or program code needed by a computer processor to function. DRAM is a common type of random access memory (RAM) that is used in PCs, workstations and servers. **Earnings per share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. **EBITDA**, short for earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income. It's used to assess a company's profitability and financial performance. An **ETF**, or Exchange Traded Fund, is an investment fund that holds assets like stocks, bonds, or commodities, and trades on a stock exchange like a stock. **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. **Gross merchandise value (GMV)** is the total value of merchandise that's sold over a given period through a customer-to-customer (C2C) exchange site. It's a measurement of the growth of the business or the use of the site to sell merchandise owned by others. **LSEG Russell indexes** are a family of US equity benchmarks created by FTSE Russell, a subsidiary of LSEG. They provide a range of US equity market coverage, from the largest large-cap stocks to microcaps, and are used by asset managers, ETF providers, and other financial institutions for benchmark tracking and investment product creation. **Monthly Recurring Revenue (MRR)** is a key performance indicator that measures the predictable, recurring revenue a business can expect to receive from its customers each month. **Net revenue retention (NRR)** is a key performance indicator, particularly for SaaS businesses, that measures how well a company retains and grows revenue from its existing customer base over a specific period. **Non-GAAP** financial measures are alternative ways of presenting a company's financial performance that deviate from the standardized rules of GAAP (Generally Accepted Accounting Principles). **The operating ratio (OR)** is a measure of efficiency that is used by management to determine day-to-day operational performance. The **price-to-earnings (P/E) ratio** measures a company's share price relative to its earnings per share (EPS). **Total Addressable Market (TAM)**, also referred to as total available market, is the overall revenue opportunity that is available for a product or service if 100% market share is achieved. (Technical definitions are sourced from Corporate Finance Institute.)

**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.

## Sterling Capital Focus Equity SMA

	Total "Pure" Gross Return	Total Net Return	Benchmark Return	3Y Composite Std. Dev. (Gross)	3Y Benchmark Std. Dev.	Composite Dispersion	Number of Portfolios	Composite AUM (MM)	Total Firm AUM (MM)
2024	7.64%	4.51%	33.36%	26.43%	20.33%	0.08%	50	\$16	\$66,160
2023	44.12%	40.03%	42.68%	25.90%	20.51%	0.32%	80	\$27	\$66,746
2022	-33.73%	-35.74%	-29.14%	25.94%	23.47%	0.31%	104	\$25	\$62,842
2021	16.35%	12.99%	27.60%	20.02%	18.17%	0.36%	238	\$111	\$75,309
2020	36.48%	32.58%	38.49%	20.88%	19.64%	1.01%	251	\$104	\$70,108
2019	43.06%	39.00%	36.39%	13.72%	13.07%	0.67%	151	\$35	\$58,191
2018	4.19%	1.15%	-1.51%	13.77%	12.13%	Not Calculable	36	\$5	\$56,889
2017	29.91%	26.20%	30.21%	< 3 Years	< 3 Years	Not Calculable	5	\$1	\$55,908
2016	12.24%	8.99%	7.08%	< 3 Years	< 3 Years	Not Calculable	4	\$0	\$51,603

Benchmark: Russell 1000® Growth Index

Composite Creation Date: 08.03.2018

Inception Date: 01.01.2016

- Consists of all discretionary separately managed wrap Focus portfolios. SCM's Focus portfolio investments are flexible and may span growth and value, large- and small-capitalization companies, and various capital forms including equity, debt, and derivatives. 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.
- The material risks of this strategy are, but not limited to, the following: Market Risk, Management Risk, Market Disruption and Geopolitical Risk, Company Specific Risk, Equity Securities Risk. For a full list of strategy risks, please reference Sterling Capital Management's Form ADV, Part 2A.
- Sterling Capital Management LLC (SCM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SCM has been independently verified for the periods 01/01/2001 to 12/31/2023. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Benchmark returns are not covered by the report of the independent verifiers. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
- SCM is a registered investment advisor with the U.S. Securities & Exchange Commission (SEC). Registration does not imply a certain level of skill or training. SCM manages a variety of equity, fixed income and multi-asset portfolios. Prior to January 2001, SCM was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, SCM purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee-owned firm. In April 2005, BB&T Corporation (BB&T) purchased a majority equity ownership stake in SCM. In October 2010, the management group of SCM entered into an agreement with BB&T that reduced and restructured management's interest in SCM. Additionally, BB&T Asset Management merged into SCM. In January 2013, CHOICE Asset Management merged into SCM. In August 2015, eight new employees joined SCM via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T and SunTrustBanks, Inc. Holding Company merged as equals to form Truist Financial Corporation. SCM was then a wholly-owned subsidiary of Truist Financial Corporation. In August 2020, eight new employees joined SCM via the Investment Advisory Group of SunTrust Advisory Services. In July 2024, Guardian Capital LLC, a wholly-owned subsidiary of Guardian Capital Group Limited (Guardian), completed the acquisition of SCM from Truist.
- The performance presented represents past performance and is no guarantee of future results. Market and economic conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. Please refer to the slide titled "Performance" for the one-, five-, and ten-year returns of the composite.
- 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.
- Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. All portfolios utilize trade-date and accrued income accounting. Valuations and performance are reported in U.S. dollars. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts. Effective 9/1/18 composite returns are asset weighted using the beginning market value and time weighted return of the portfolios. Prior to 9/1/18, composite returns were asset weighted using the aggregate method that reflects both beginning market value and cash flows.
- "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Net returns are calculated by deducting the highest applicable wrap fee of 3.00% annually from the pure gross composite return. Prior to 8/31/18, gross of fees returns reflect the deduction of trading costs. Effective 9/1/18, "pure" gross of fees returns do not reflect the deduction of any fees including trading costs. The SMA fee includes all charges for trading costs, portfolio management, custody, administrative fees, and foreign withholding taxes. The maximum SMA or bundled external platform fee is 2.52% annually and includes SCM's actual management fee of 0.32%. SCM's actual management fees are 0.32% annually. From 12/31/15 to 8/31/18 the composite was comprised 100% of separate accounts. As of 9/1/18 the composite has been comprised 100% of wrap fee portfolios.
- Effective 1/1/22, portfolios are removed from the composite for flows 10% or greater of prior month portfolio market value. Portfolio remains out of the composite for the month of the flow and for one additional period. Prior to 1/1/22, portfolios were not removed from the composite for flows.
- Effective 3/31/20, the appropriate benchmark 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 U.S. 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.
- The annual composite dispersion presented is measured by an asset-weighted standard deviation calculation method of all portfolios in the composite for the entire year, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36-month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented when a full three years of composite performance is not yet available.