Special Opportunities SMA Commentary

1st Quarter 2022

"Flexibility is the key to stability." - John Wooden

The Sterling Capital Special Opportunities strategy is designed to be a "core" or "all-seasons" portfolio, with a primary goal of generating long-term capital appreciation. Noting that our industry often classifies investments with either a "growth" or "value" label, we argue instead that value without growth represents a wasting asset, and growth without regard to the price is merely speculation. We strongly believe in building a well-diversified portfolio with constituents that boast both growth and value characteristics. We seek above-average growth of capital, but endeavor to mitigate downside risks by using time-tested valuation tools and profitability ("quality") parameters.

Both academic literature and our own experience suggest that the so-called growth and value styles, as well as small- and large-capitalization companies, move into and out of investment favor, much as our underlying economy moves through various phases of expansion and retrenchment. Sustained periods of out- or under-performance can lead to unproductive investor outcomes via switching. By blending these characteristics, we hope to offer our clients a more consistent return profile, while also allowing us the flexibility to take advantage of occasional perceived extremes in sentiment.

Consistent with our endeavor to generate above-average returns with below-average risk compared to the overall equity market, we must "dare to be different" from our benchmark. In industry parlance, our portfolio demonstrates high "active share," meaning our philosophy offers the statistical opportunity to outperform popular averages. By constructing portfolios with approximately 30-35 carefully selected securities, we strive to achieve 95% of the diversification of a 500-stock portfolio while eliminating expensive, poorly-financed, or strategically vulnerable companies from our holdings.

Performance Summary and Review

The Special Opportunities portfolio fell -5.1% (gross of fees) and -5.8% (net of max bundled fees*) versus a -5.3% decline for the Russell 3000® Index.

As you're (hopefully) aware, we're bottom-up fundamental stock pickers and not top-down allocators. This past quarter's performance was entirely driven by stock picking, which offset sector exposure headwinds. A concentrated but diversified portfolio is populated with companies that we believe offer favorable risk/reward opportunities and are attractive within our four pillar investment framework in aggregate. Over time, the portfolio's outperformance has been driven by stock picking, not sector allocation. This quarter was no different. Three out of 11 Russell 3000 sectors posted gains. Energy led with a 37% increase, as crude oil topped $100 a barrel, gaining 45% in the quarter, while natural gas soared 154%. Not only did the portfolio not have any direct exposure to the top-performing sector, but the portfolio's largest weight was Technology, the worst-performing sector. Overall, there was zero weight from three of the top four performing sectors. It's fair to conclude our allocation wasn't a driver of performance and that our stock selection more than offset those headwinds. From a style perspective, Value held up well, declining less than 1.0%, while Growth slumped 9.3%.

*The maximum bundled external platform fee is 2.82%. Actual fees may vary by size and type of portfolio.

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Russell 3000 Year-to-Date Total Return by Sector

Source: Bloomberg

Market Overview

First and foremost, we want to offer our deepest condolences, sympathy, and support for all those who are suffering due to the conflict in Ukraine. The violence has shifted the market's narrative (concern) from the pandemic to economic fallout and parabolic inflation in a variety of commodities, including energy, fertilizers, and a variety of metals. As mentioned, the portfolio had zero exposure to the Energy sector but, equally as important, had minimal exposure to Russia or Ukraine. The most impacted holdings were beverage can maker **Ball Corp**, which decided to close three facilities in Russia that accounted for ~4% of revenues and ~6-8% of profits; **Visa**, which estimated its exposure at ~3-4% of revenues; and auto supplier **Aptiv**, which has two plants in Russia (~$100 million revenue) that support Russian original equipment manufacturer (OEM) production, as well as four plants in Western Ukraine that supply to Western European OEMs. On the other hand, Aerospace and Defense contractor **General Dynamics** derives a quarter of revenues from combat systems, including Abrams tanks and Stryker outfitted missile defense systems. In addition, two holdings, **Akamai** and **F5 Networks**, have sizable cybersecurity offerings, where demand is likely to increase as a result of the ongoing war.

1Q22 Contributors and Detractors

Top Contributors	GICS Sector	Contrib. to Return
Bristol-Myers Squibb	Health Care	0.61
Zynga	Communication Services	0.37
General Dynamics	Industrials	0.30
Amazon.com	Consumer Discretionary	0.27
Regeneron Pharmaceuticals	Health Care	0.24

Top Detractors	GICS Sector	Contrib. to Return
Intuit	Information Technology	-1.04
NXP Semiconductors NV	Information Technology	-0.97
F5	Information Technology	-0.62
Aptiv PLC	Consumer Discretionary	-0.56
Lennar	Consumer Discretionary	-0.55

Source: Factset, Sterling Capital

Top Contributors:

- **Bristol-Myers Squibb** generated $4 billion in cash in 4Q21, announced a 15% dividend increase in December, and executed a $5 billion accelerated share repurchase (ASR) in 1Q22. Guidance for $47 billion in revenues in 2022 is up only slightly as a Revlimid generic comes into the market, but the earnings before interest, taxes, depreciation, and amortization (EBITDA) is expected to increase 10%. Management stated it will use cash flows to buy more stock as well as supplement growth with mergers and acquisitions.

- **General Dynamics** got a boost in sentiment from the war in Ukraine. A quarter of revenues are derived from its combat systems division, which supplies Abrams tanks and Stryker outfitted missile defense systems. When asked on the 3Q21 earnings call about an order from Poland for 250 M1 Abrams tanks, the CEO responded that the timing would be “maybe, in the two-year period.” In January of 2022, the State Department accelerated and approved the sale as tensions increased on the Eastern flank of Europe.
- **Zynga** is a new addition and received a takeout offer from Take-Two shortly after our purchase. We detail our rational later.
- **Amazon** is a new addition and caught a bid after our purchase. We detail our rationale later.
- **Regeneron**’s non-COVID-19-related revenues grew 20% in 4Q21, including 19% growth for its largest drug, Eylea, for treatment of macular degeneration. While that drug faces a patent expiration, phase II data on a high-dose version of the product showed improved efficacy and phase III data is expected later this year. Dupixent, for atopic dermatitis, grew 53%, and distribution partner Sanofi recently increased its peak sales outlook for the drug to 14 billion euros.
- *Bonus:* **PayPal** was the 6th place contributor, another new addition we highlight below.

Top Detractors:

Three of our five biggest 4Q21 contributors were in the top five 1Q22 detractors as Technology performance transitioned from best to worst.

- **Intuit’s** stock pulled back following a +69% gain in 2021. This was caused by concerns related to a slow start to the tax season and the potential for fewer overall filings, which we believe misses the forest for the trees. Software is taking shares from paper and pen, and Intuit is the unquestioned leader in do-it-yourself tax software. Intuit is rapidly growing a hybrid offering that’s taking shares from the professional do-it-for-me category, which comes with significantly higher average revenues per user. Meanwhile, in the fiscal second quarter (ended January 2022), small business and self-employed revenues grew 24% organically, led by 35% growth in QuickBooks Online revenues. Management reaffirmed 18-20% organic revenue and earnings per share (EPS) growth for fiscal year 2022.
- **NXP Semiconductors** reported strong growth in 4Q21, with revenues up 21% and margins expanding 440 basis points (bps), led by auto chip sales and factory automation. Management said it was more optimistic about 2022 than it was at its recent investor day, where guidance called for 2022 revenue growth to be at the high end of its 8-12% long-term algorithm. The board authorized a 50% dividend increase and an additional $2 billion in repurchase authorization.
- **F5 Networks** provided guidance for the upcoming quarter and current fiscal year that included larger headwinds from supply chain issues. That said, software growth was over 47% against its toughest comparison all year, and management raised its outlook to be at the upper end of the previously provided 35-40% range this year. Furthermore, management believes its technology is more relevant and important now than at any point in its history.

- **Aptiv**, as noted previously, has some exposure to Russia and Ukraine. More broadly, European auto manufacturing and demand are at greater risk, given economic and supply chain impacts.
- **Lennar** pulled back presumably due to fears that higher mortgage rates (30-year fixed rates rose to 4.67%, up from 3.11% at the start of the year) would dampen housing demand. However, Lennar reported order growth of 1% last quarter, which was better than consensus expectations, with average selling prices up 18%. Management noted consistent demand throughout the quarter, and ending backlog grew 43% year-over-year. Revenue guidance for the full year was raised to 25%, with deliveries expected to increase 11% and average selling prices up 14%. Later this year, the company plans to spin its non-homebuilding businesses, a potential positive catalyst.

Notable Items

Autozone Director Brian Hannasch and Chief Information Officer (CIO) Michelle Borninkhof each bought $500,000 of stock in March. The company added $2 billion to its buyback program, which shrank AZO's diluted share count by 86% since 1998.

UnitedHealth Group, the largest managed-care provider in the U.S., announced the acquisition of LHC Group, a leading provider of in-home care. UnitedHealth's newest director Paul Garcia, former CEO of Global Payments, another Special Opportunities holding, bought $1 million in stock in late February.

The Head of Human Resources at **Ball Corp**, Lisa Pauley, bought over $500,000 of stock in early March. She's been with the company since 1980 and already owned $44 million of stock, so the desire to increase her stake sends an encouraging message. Director Betty Sapp purchased $130,000 of stock later the same week and again in mid-March, along with a $600,000 purchase by CEO-elect Dan Fisher. There were ten insider purchases in 4Q21.

Akamai acquired cloud service provider Linode for $900 million to create "the world's most distributed compute platform, from cloud to edge." The combined offering is expected to provide another considerable growth engine, complementing its cybersecurity offerings.

Global Payments announced a strategic review of its Netspend prepaid debt card consumer business. The company will retain the B2B (business-to-business) portion of the division, ~15% of revenues, and integrate it with Mineral Tree (bookings grew 19% last quarter and it closed nine deals in Healthcare). The buyback was exhausted ($700 million was repurchased in 4Q21 and $2.5 billion total in 2021), so the board added $2 billion to the authorization for 2022, amounting to ~5% of shares outstanding at the quarter-end stock price.

Fiserv provided a deep dive on its Merchant acquiring business, specifically Clover (small and medium businesses) and Carat (enterprise customers). Management believes the segment can deliver an 11.5% compound annual growth rate (CAGR) through 2025, reaching $10 billion in revenues. This would imply growth in line with the industry and ahead of Street expectations that embed share losses. Meanwhile, ValueAct added to its stake in the company and a partner was nominated to Fiserv's board of directors.

S&P Global closed the acquisition of IHS Markit. Management provided guidance that included $12 billion in repurchases and increased cost synergy targets. Our recent meeting with CEO Doug Peterson reaffirmed our confidence in the strength of the business and management, the development of a meaningful ESG business, achieving and expanding cost and revenue synergy targets, and the conservative nature of guidance.

Comcast raised its dividend 8%, marking its 14th consecutive annual increase, and added $10 billion to its buyback program. 2021 was also the 16th consecutive year broadband net additions exceeded one million. Extending that streak in 2022 appears unlikely, but wireless net additions exceeded one million last year for the first time and could add a new leg to our thesis as a core growth driver.

CBRE Group ranked #1 in commercial real estate investment sales globally for the 11th consecutive year in 2021, according to Real Capital Analytics (RCA). The third-party research firm said CBRE had a 24% market share, nearly double the #2 and #3 firms combined.

TransUnion announced the acquisition of Verisk Financial from **Verisk**, also a Special Opportunities portfolio holding, for $515 million. While this asset appears to be a better fit for Transunion, we'd prefer management focus on integrating already completed acquisitions before adding more integration complexity. That said, in mid-March, management held its first analyst day in three years, raising its multi-year outlook to 8-10% revenue growth, 100 bps of annual margin expansion, and mid-teens EPS growth.

Portfolio Changes

We added three new names to the portfolio and exited one. The additions increase exposure to secular growth in mobile gaming, payments, e-commerce, and cloud services.

We added shares of **Zynga** (ZNGA) to Special Opportunities portfolios in the first week of January 2022 at just over $6. In the second week of January, Take Two Interactive (TTWO) announced the acquisition of Zynga at a 64% premium to its prior day's close. We don't typically anticipate implied annualized returns over 3,000%, but we'll take them when we can.

The mobile gaming market generated an estimated $136 billion in gross bookings in 2021 and has an expected CAGR of 8% over the next three years, per IDG Consulting. Zynga is the second-largest Western mobile game developer, expected to have generated almost $3 billion in bookings in 2021, more than triple just three years earlier.

Our thesis in interactive entertainment is that games are becoming more like television series as opposed to movies. In other words, games now have long tails. A game is created and incremental content is dropped periodically to continue to evolve the experience over time. Games often have multi-year lifetimes, such as Farmville, Zynga Poker, and Words with Friends; they have been on the market for more than a decade but are top revenue-generating games for Zynga. Gameplay has become more frequent and recurring as gamers work to not only improve their position in the game by "leveling up", but also through relationships with other players via competition, teams, and social features, enabling additional forms of communication and interaction. Gamers purchase virtual goods through in-game transactions for aesthetic and social features, such as "skins," but also for virtual items to help them better compete. Moreover, events, which Zynga calls "bold beats," drive heightened interaction and engagement. Developers interact with game-specific social communities that have questions, comments and suggested improvements. These actions are described as "live services," which does as much as any new incremental game or feature to generate revenue growth and margin expansion.

We view the gaming market differently than it may have been perceived in the past. We believe it is more stable, predictable, and altogether entertaining, attracting a wide array of demographics globally. As it pertains to our investment pillars, we discussed the strong growth the company saw and foresees. In addition, the company sports near $0 net debt on the balance sheet and generates considerable cash flows with over 23% estimated EBITDA margins in 2021. Lastly, noting the blue arrow in the below chart, we believe we purchased Zynga at a compelling price to earnings (P/E) multiple, sub 13x two-year forward EPS estimates. At the time, the S&P 500® Index traded above 21x two year forward EPS estimates. Stated differently, at purchase, ZNGA traded at the largest discount to the S&P Index in the past five years, perhaps one reason Take Two found the acquisition so compelling.

ZNGA (yellow line) and S&P 500 (green line) Price-to-Two-Year Forward Earnings Estimates

Source: Bloomberg

We added digital wallet provider **PayPal** (PYPL) in March. The stock was down 43% year-to-date at our purchase, and 65% lower than its July 2021 high. The company is moving from land mode to expand mode. Management's shift toward monetizing its existing user base versus rapidly adding new users created uncertainty that provided our opportunity. Revenue growth is still expected to be in the high-teens in 2022, but earnings may be flattish as the company invests in the platform, finishes lapping eBay-related headwinds, and faces a 12 percentage point headwind from a 2021 tax item and reserve release. We believe Venmo, which is ubiquitous among younger demographics, offers meaningful monetization opportunities yet to be exploited. This includes debit cards, high yield savings accounts, loyalty, crypto, and increasing acceptance of Venmo at point-of-sale (Amazon recently agreed to accept Venmo on its e-commerce platform). With low expectations, we see the opportunity for management to hurdle a low bar by increasing utilization among existing users, continue growing the user base, albeit at a slower pace, and begin monetizing Venmo in a meaningful way. If management shows progress, the company should produce meaningful earnings growth, which could re-rate the earnings multiple higher. Prior to this most recent share price weakness, PayPal traded at a multiple of over 40x consensus two-years forward earnings estimates. At purchase, PayPal traded at just 14.8x forward EPS and represented a discount to the S&P 500.

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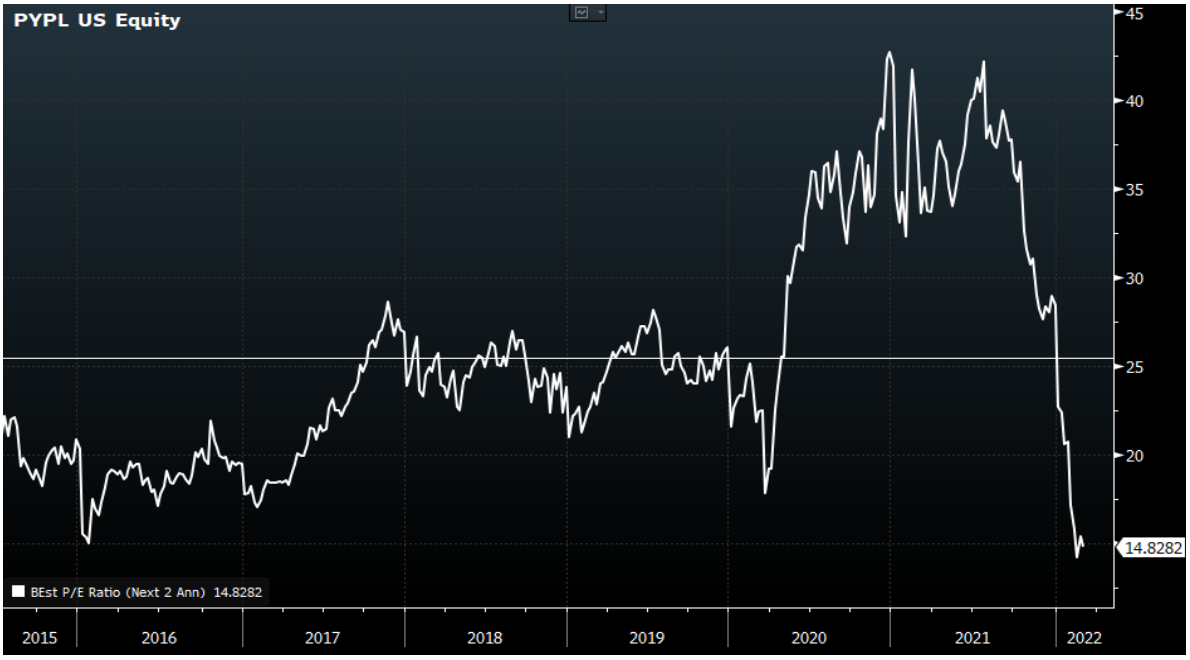
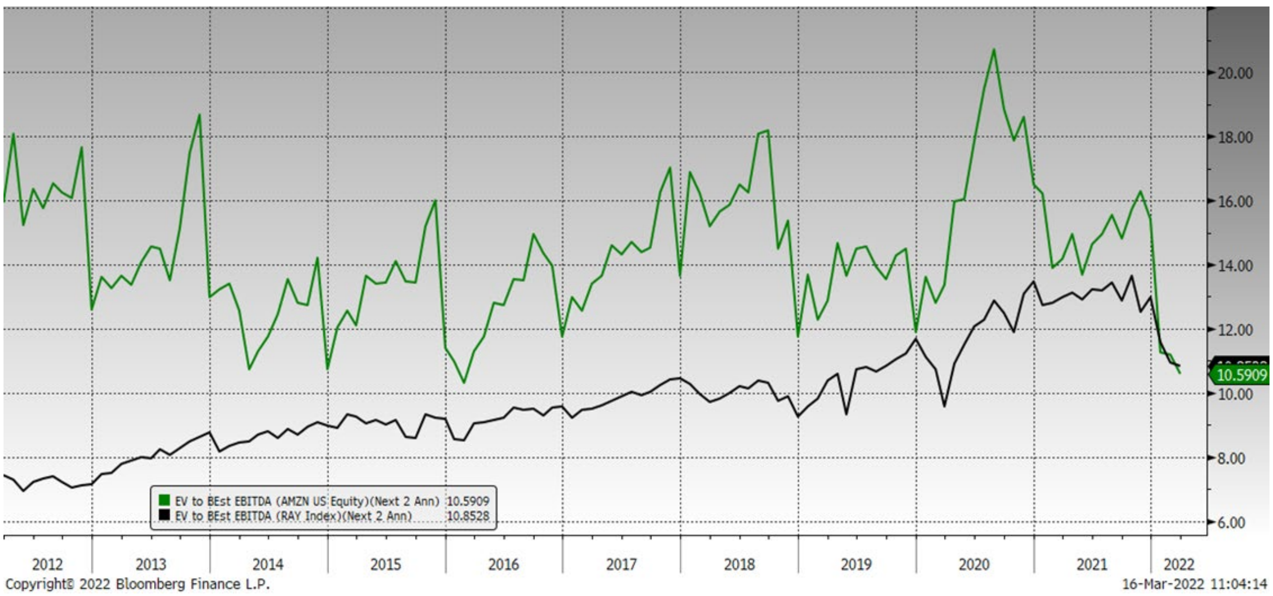
PayPal Price-to-Two-Year Forward Earnings Estimates



Source: Bloomberg

We added e-commerce and cloud services provider **Amazon** to the portfolio in March. The company operates with low net leverage, generates a return on equity (ROE) in the high-teens to 20% range, and has prolific long-term growth. Following 40%+ relative underperformance over the past 18 months, Amazon traded at a discount to the market on an EV/EBITDA basis for the first time ever, making it four-out-of-four on our investment pillars.

AMZN (green) and Russell 3000 (black) EV/FY2 EBITDA



Source: Bloomberg

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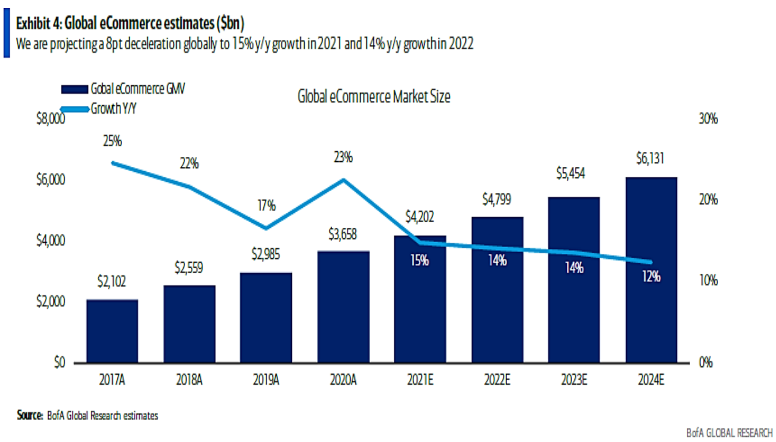
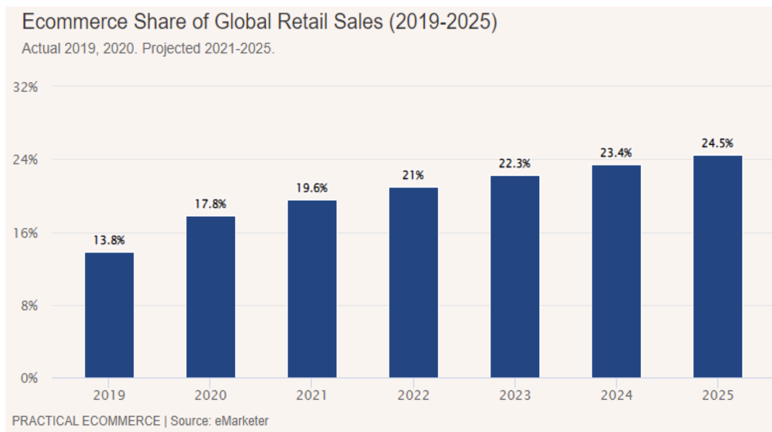
While Amazon Web Services (AWS) represents just 13% of consolidated revenue, it represents 75% of Amazon's total operating income while also being one of Amazon's fastest growing businesses. Thus, the continued growth of AWS provides a natural tailwind to profitability as it scales. Cloud penetration is still in the early innings with penetration around 10%. Amazon's first-mover and market-leading advantage in this attractive market will be difficult to displace. We believe that AWS is an asset of rare quality that is underappreciated as part of the larger Amazon whole. On a sum-of-the-parts basis, we estimate that AWS could be worth as much as Amazon's entire market cap at purchase. Thus, we believe we are essentially getting the leading e-commerce retail business, which is six times larger than the #2 competitor, for free.

Amazon's e-commerce platform is used by ~450 million consumers around the world with approximately ~150 million consumers signed up for Amazon's annual Prime subscription service. The global market for e-commerce is estimated to be ~$4 trillion and growing at a mid-teens rate. Despite this continued strong growth, e-commerce remains underpenetrated at only ~21% of global retail sales, according to estimates from eMarketer.





Source: BofA Global Research (Left); Practical Ecommerce via eMarketer (right)

We sold **Activision** (ATVI) following a $95 per share, all-cash takeout offer from Microsoft, a 45% premium to its prior 30-day average price. ATVI development teams, particularly in the Blizzard segment, engaged in inappropriate behavior, unchecked by management and unbeknownst to the public. Fortunately in January, Microsoft (MSFT) stepped in to acquire ATVI for an all-cash deal. The Federal Trade Commission (FTC), led by newly-appointed commissioner Lina Khan, is heavily scrutinizing the deal as potentially anti-competitive. Although it is quite possible the deal still culminates in the transaction as currently proposed, we cannot predict the FTC's opinion and analysis. Moreover, we fear the workplace conditions and environment at Activision Blizzard may play a role in the ultimate outcome. Therefore, though we might be leaving a bit on the table, we believe the risk outweighs the reward from here and are pleased to clip the near 25% premium to the stock's price prior to the MSFT/ATVI acquisition announcement.

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Conclusion

Escalating U.S. inflation as we lap fiscal stimulus is a worry for consumer spending – the University of Michigan's consumer sentiment survey slumped to a cycle-low in March. Unfortunately, lower income cohorts will be hurt the most as they spend a meaningfully higher percentage of income at the pump, at the grocery store, and in higher rents. In February 2022, producer prices rose 10%, supporting the case for rate hikes. The Fed is therefore walking a tightrope, attempting to rein in inflation without restraining economic growth. The committee raised rates by a quarter point on 03.16.2022 and Fed fund futures are pricing in an incremental two percentage points of increases for the remainder of the year. St. Louis Fed President James Bullard said rates should be 3% by year-end. The ten-year Treasury bond got the hint as the yield increased the most in any quarter since 1987, and a day after the quarter ended, the yield curve inverted (the spread between the ten-year and two-year Treasury yields).

Labor is another important consideration as it represents the average corporations' largest expense, particularly in a service-oriented economy. There's a shortage of qualified labor, with 1.7 jobs available per unemployed worker, according to Karen Fichuk, CEO of staffing company Randstad North America. Heightened competition for talent and rising labor costs are formidable headwinds for record high corporate margins. As we've noted the past couple quarters, if current inflation rates sustain longer, that could negatively impact equity and fixed income valuations. However, we don't own the market. We're active investors.

We believe the portfolio is positioned to benefit from a variety of secular trends: consumers and businesses will increasingly favor debit and credit cards over checks and cash and e-commerce over brick-and-mortar (benefitting portfolio holdings Visa, Fiserv, Global Payments, PayPal, Amazon and FedEx); active safety and electrification will increasingly penetrate vehicles (benefitting Aptiv, NXP and Amphenol); businesses will strive to become more efficient through digitization and the use of data and analytics (benefitting PTC, Verisk, TransUnion and S&P Global, UnitedHealth); greater healthcare utilization stemming from an aging population (benefitting all of our Healthcare companies); and broadband, cybersecurity, 5G and hybrid/multi-cloud/edge IT infrastructure will continue to grow (benefitting Akamai, Alphabet, Amazon, Comcast, F5 and T-Mobile). These are just a few examples of rapidly-growing end markets that we believe will contribute to faster revenue, earnings, and cash flow growth for our companies.

We believe the portfolio enters 2022 well-positioned with respect to our four investment pillars that have stood the test of time. We remain unwavering in our disciplined approach of deploying capital to companies that look attractive on such metrics. Heading into 2022, relative to the median Russell 3000 constituent, the median Special Opportunities holding trades in-line, is more profitable, has a more conservative balance sheet, and is expected to deliver materially faster and more consistent earnings growth, as noted in the chart below.

Pillar Metrics: Growth, Valuation, Profitability & Balance Sheet Strength

	Growth/Stablity				Valuation			Profitability		Balance Sheet	
	21y EPS Growth	22y EPS Growth	23y EPS Growth	'18-'23 EPS CAGR	23y P/E	23y EV/ EBITDA	23y EV FCF Yld	ROE	EBITDA Mgn	Interest Coverage	Leverage
SO Median *	27%	10%	14%	15%	18.9	13.1	5.0%	20.7	29.4	10.3	1.6
R3000 Median	19%	7%	10%	7%	18.7	12.2	4.3%	9.5	14.8	3.1	2.1
% Above/Below Bench	41%	40%	38%	102%	1%	7%	17%	117%	99%	233%	-25%

*Representative account. As of 03.31.2022. Source: Bloomberg

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The team's disciplined investment philosophy remains consistent with the approach that delivered mid-teens annualized returns since inception (12.31.2000) and a first-percentile peer ranking, according to eVestment (as of 12.31.2021).

As always, we thank you for your interest in Sterling Capital's portfolios.

Josh Haggerty, CFA®
Co-Portfolio Manager

Dan Morrall
Co-Portfolio Manager

Important Information

Disclosures

Performance Disclosure: Performance is preliminary and is annualized for periods longer than one year. Net of fees performance returns are presented net of the maximum SMA bundled fee which includes all charges for trading costs, advisory services, portfolio management, custody and other administrative fees. “Pure” Gross of fees performance returns do not reflect the deduction of any fees including trading costs; a client’s return will be reduced by the management fees and other expenses it may incur. Investment management fees are described in Sterling’s Form ADV 2A. Performance reflects the reinvestment of interest income and dividends and realized capital gains. The performance presented represents past performance and is no guarantee of future results. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. The Performance is considered Supplemental Information to the GIPS Composite Report which is attached.

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 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.

Technical Terms: **Original Equipment Manufacturer (OEM)** is a company that manufactures and sells products or parts of a product that their buyer, another company, sells to its own customers while putting the products under its own branding. OEMs commonly operate in the auto and computer industries. **Accelerated share repurchase (ASR)** is an investment strategy where a publicly-traded company expeditiously buys back large blocks of its outstanding shares from the market by relying on a go-between investment bank to facilitate the deal. **CAGR** stands for the Compound Annual Growth Rate. It is 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. **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)**: is the relationship between a company’s stock price and earnings per share (EPS). The P/E ratio shows the expectations of the market and is the price you must pay per unit of current earnings (or future earnings, as the case may be). **Return on Equity (ROE)**: the measure of a company’s annual return (net income) divided by the value of its total shareholders’ equity, expressed as a percentage. **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. **EV/EBITDA**: 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.)

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Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful.

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Sterling Capital Management – Special Opportunities SMA Composite
January 1, 2012 – December 31, 2021

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.

	Total Return			Composite Assets	Total			Composite	Benchmark
Year	"Pure" Gross of Fees	Total Return Net of Fees	No. of Portfolios	End of Period ($MM)	Firm Assets ($MM)	Composite Dispersion (%)	Russell 3000	3-yr St Dev (%)	3-yr St Dev (%)
2021	27.82	24.33	3	288	75,308	Not Meaningful	25.66	19.35	17.94
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

Sterling Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sterling Capital Management LLC has been independently verified for the periods 01/01/01 to 12/31/19. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Notes:

1. Sterling Capital Management LLC (SCM) is a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training. Sterling manages a variety of equity, fixed income and balanced assets. Prior to January 2001, Sterling was a wholly owned subsidiary of United Asset Management (UAM). In January 2001, Sterling Capital Management LLC purchased all the assets and business of Sterling Capital Management Company from UAM to become an employee owned firm. In April 2005, BB&T Corporation purchased a majority equity ownership stake in Sterling Capital Management LLC. In October 2010, the management group of Sterling Capital entered into an agreement with BB&T Corporation that reduced and restructured management's interest in Sterling Capital Management. Additionally, BB&T Asset Management merged into Sterling Capital Management. In January 2013, CHOICE Asset Management firm merged into Sterling Capital Management. "Percent of Firm Assets" and "Total Firm Assets" prior to 2013 are for CHOICE Asset Management. In August 2015, eight new employees joined Sterling Capital management via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. In December 2019, BB&T Corporation and SunTrust Banks, Inc. Holding Company merged as equals to form Truist Financial Corporation. Sterling Capital Management LLC is a wholly owned subsidiary of Truist Financial Corporation. In August 2020, new employees joined Sterling Capital Management via the Investment Advisory Group of SunTrust Advisory Services. This reorganization aligns all of the discretionary fixed income asset management activities within Truist under Sterling.
2. Inception date of composite: December 31, 2000. Creation date: December 31, 2000. The appropriate 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.
3. Performance reflects reinvested interest income and dividends and realized and unrealized capital gains and losses. Portfolios utilize trade-date accounting. Valuations and performance are reported in US dollars. Composite returns are calculated monthly by weighting the aggregate SMA/Wrap sponsor returns using beginning of period market values. Periodic time weighted returns are geometrically linked. Returns are not calculated net of non-reclaimable withholding taxes due to immaterial dollar amounts.
4. "Pure" gross of fees returns are presented as supplemental information and do not reflect the deduction of any fees including trading costs. Effective January 1, 2021, the net of fee return reflects the maximum bundled external platform fee of 2.82%. Prior to January 1, 2021, the net of fee return reflects the actual SMA fee of the individual portfolios in each platform except for one platform where the maximum fee is deducted from the gross return. The SMA fee includes all charges for trading costs, portfolio management, custody and other administrative fees. The actual fee may vary by size and type of portfolio. The maximum SMA or bundled external platform fee is 2.82% annually and includes Sterling's actual management fee of 0.32%. Sterling's actual management fees are 50 basis points annually or less. Since inception, the composite is comprised 100% of wrap fee portfolios.
5. The annual composite dispersion presented is measured by an asset-weighted standard deviation calculation method of all portfolios in the composite for the entire year, and is calculated using gross of fee returns. It is not meaningful when there have been less than six portfolios in composite for entire calendar year. The three year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36 month period. The composite 3-year standard deviation is calculated using gross of fee returns. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.
6. The performance presented represents past performance and is no guarantee of future results. Stock market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions.