



# STERLING CAPITAL

## Sterling Capital Management LLC

Form ADV 2A  
Firm Brochure

4350 Congress Street, Suite 1000  
Charlotte, NC 28209

Phone: (704) 927-4175  
[www.sterlingcapital.com](http://www.sterlingcapital.com)

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This Brochure provides information about the qualifications and business practices of Sterling Capital Management LLC (“Sterling,” “we,” or “us”). If you have any questions about the contents of this Brochure, please contact us at (704) 927-4175 or [scmcompliance@sterlingcapital.com](mailto:scmcompliance@sterlingcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Although Sterling may use the term “registered investment adviser” or use the term “registered” throughout this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

Additional information about Sterling is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

### **Announcement**

On February 2, 2024, Sterling, a wholly owned subsidiary of Truist Financial Corporation (“Truist”) (NYSE: TFC), announced that Toronto-based Guardian Capital Group Limited (“Guardian”) (TSX: GCG) (TSX: GCG.A) has reached an agreement under which Guardian’s wholly owned subsidiary Guardian Capital LLC will acquire Sterling from Truist. Following the closing of the transaction (expected to occur later in 2024), subject to normal consents and approvals for transactions of this nature, Guardian plans to operate Sterling as a standalone entity, led by the current Sterling team of management and senior professionals. This Brochure will be updated upon the closing of the transaction to reflect changes resulting from the sale of Sterling.

### **Changes to Brochure**

This Brochure contains a variety of wording changes and clarifications from the last annual update dated March 31, 2023. Among these, we have updated, amended, and expanded disclosures in the sections noted below.

**Item 5 – Fees and Compensation** was revised to (i) move the standard fee schedules to Appendix A of this Brochure and (ii) update the fee schedule to remove SMID Opportunities.

**Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss** was revised to (i) remove reference to Sterling’s Diverse Multi Manager Active ETF which closed 1/12/2024, (ii) remove references to Sterling’s SMID Opportunities strategy as the SMID Fund closed 1/26/2024, and (iii) expand upon and add additional risks applicable to Sterling’s investment strategies.

We encourage you to read the entire Brochure.

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Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Copies of our Brochure may be requested by contacting Sterling’s Compliance Department at [scmcompliance@sterlingcapital.com](mailto:scmcompliance@sterlingcapital.com). Additional information about Sterling is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Sterling is a registered investment adviser under the Investment Advisers Act of 1940; however, such registration does not imply a certain level of skill or training.

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## **Item 4 – Advisory Business**

### **General Description of Advisory Firm**

Sterling Capital Management LLC (“Sterling,” “we,” or “us”) is a registered investment adviser with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”). The firm was founded in 1970 and is organized as a North Carolina limited liability company. Sterling is an independently operated subsidiary of Truist Financial Corporation (NYSE: TFC), one of the nation’s largest financial services holding companies. Sterling has over 175 employees and is headquartered in Charlotte, NC, with additional offices in Raleigh, NC; Virginia Beach, VA; King of Prussia, PA; Jupiter, FL and San Francisco, CA.

### **Assets Under Management**

As of December 31, 2023, Sterling’s assets under management (“AUM”) totaled \$66,746,472,114. Of that total, we managed, on a discretionary basis, \$66,623,362,646 in client assets. Non-discretionary client assets totaled \$123,109,468.

### **Description of Advisory Services**

As a registered investment adviser, Sterling has a fiduciary obligation to our clients in providing investment management services. As a fiduciary, we will act in our clients’ best interests and will endeavor to ensure that clients are informed about and have access to material facts and information related to Sterling’s services. This Brochure is a key element in meeting this disclosure obligation. The fiduciary standards we aim to follow are established under the Advisers Act and state laws, where applicable.

Sterling provides discretionary investment management services and has the authority to select securities or other investment vehicles (all collectively referred to in this Brochure as “securities”) consistent with clients’ investment guidelines. However, certain clients may limit or prohibit investment in certain sectors, instruments, and securities as further described in Item 16 – Investment Discretion. Sterling also provides discretionary investment services and non-discretionary investment advice to separately managed account programs and platforms sponsored by affiliated and unaffiliated investment advisers, broker-dealers, and other financial service firms. Sterling offers the following services:

#### ***Institutional and Individual Separate Account Management***

Sterling provides investment management services to a broad range of institutional and individual clients pursuant to the terms of individually negotiated investment management agreements. Sterling provides our services in an array of fixed income, equity or other investment strategies including in the broad categories of municipal bonds, taxable fixed income, value, growth and core equities and asset allocation.

Sterling’s separate account management services include the development of investment strategies, evaluation and appraisal of securities held as well as securities considered for purchase, construction of investment portfolios, execution of securities purchase and sale transactions, and portfolio administration, including the tracking of and reporting on portfolio performance and investment results.

#### ***Wrap and Model Programs***

Sterling provides investment management services to separately managed account (“SMA”) or “wrap fee” programs and platforms (each, a “Wrap Program”) sponsored by investment advisers, broker-dealers and other financial services firms (each, a “Program Sponsor”). Sterling provides these services pursuant to an advisory agreement either directly with the Program Sponsor (e.g., a “single contract SMA”) or with the Program Sponsor and the underlying end investor (e.g., “dual contract SMA”) depending on the program. Sterling also provides discretionary and non-discretionary investment services and advice to Program Sponsors and/or overlay managers through model investment portfolios (collectively referred to as “Model Programs”).

In a Wrap Program, Sterling is appointed to act as an investment adviser through a process administered or assisted by the Program Sponsor. Clients participating in a Wrap Program, generally with assistance from the Program Sponsor, may select Sterling to provide investment management services for their account (or a portion thereof) for

a particular strategy. Sterling provides investment management services in accordance with one or more of our investment strategies. In a typical Wrap Program clients enter into an agreement with the applicable Program Sponsor that provides or arranges for the provision of an array of services to the clients — which may include but not be limited to: assistance with establishing investment goals and objectives, asset allocation analysis, security selection and other portfolio management services, selection of investment advisers, sub-advisers, custodians and/or broker-dealers, trade execution and providing ongoing monitoring, reporting and client support — all of which may be covered by a single “wrap” fee to the client.

There are certain differences between how we manage accounts in a Wrap Program versus how we manage other client portfolios. For example, in Wrap Programs the Program Sponsor is generally responsible for determining the suitability of the Wrap Program, including the use of a Sterling investment strategy for the client. Sterling is typically only responsible for managing the client’s assets in accordance with the selected investment strategy and any reasonable restrictions imposed by the client and agreed upon by Sterling. In certain Wrap Programs, the Program Sponsor may limit the information available to us. In addition, Program Sponsors may restrict us from communicating directly with Wrap Program clients.

Sterling may make available through Wrap Programs the same or similar strategies that are available to other Sterling clients. However, not all of Sterling’s strategies are available through Wrap Programs and not every Sterling strategy is available through a particular Wrap Program. The performance of a strategy available through a Wrap Program may differ from the performance of the same or similar strategy executed through another Wrap Program, client, or platform.

Typically, the investment management services Sterling provides in connection with these Wrap Programs are discretionary. Sterling is generally responsible for causing the portion of each discretionary Wrap Program account managed by Sterling to engage in transactions that are appropriate for the selected strategy. Wrap Program accounts within a particular strategy are generally managed similarly, subject to a Wrap Program client’s ability to impose reasonable restrictions (such as a prohibition on holding the securities of a particular issuer). Because Sterling’s advisory services to these accounts are strategy-dependent, Sterling will not accept a restriction that we believe would be inconsistent with the investment strategy.

Sterling may participate in Wrap Programs sponsored by unaffiliated, third-party sponsors as well as Wrap Programs sponsored by an affiliate of Sterling. Program Sponsors may apply different methods of analysis, use different types of information, or apply different thresholds in determining whether to recommend an affiliated manager; this method of analysis may be applied differently when recommending an unaffiliated manager. In the case of Wrap Programs sponsored by Sterling’s affiliate, Truist Advisory Services, Inc. (TAS), Sterling’s participation as an SMA investment manager creates conflicts of interest, which are more fully described in TAS’s Form ADV Part 2 Brochures.

All Wrap Program clients and prospective clients should carefully review the terms of the agreement with the Program Sponsor and the relevant Wrap Program Brochures and disclosure documents to understand the terms, services, minimum account size and any additional fees or expenses that may be associated with a Wrap Program account. In evaluating a Wrap Program arrangement, the client should consider the amount of portfolio activity and the value attributed to monitoring, custodial and any other services provided.

In addition to the investment management services we provide for Wrap Programs, Sterling may also provide non-discretionary Model Program services to the Program Sponsor who exercises investment discretion. In these Model Programs, Sterling will typically provide a model portfolio to the Program Sponsor who will be responsible for reviewing, implementing, and executing the orders for the client as the Program Sponsor determines. Where Sterling participates in a Model Program, the Model Program Sponsor or overlay manager is generally responsible for investment decisions and performing many other services and functions typically handled by Sterling in a traditional discretionary managed account program. In these Model Programs, Sterling does not have an advisory relationship with clients of the Program Sponsor or overlay manager of the Model Program, and Sterling generally does not have any investment discretion or trading responsibilities. Similarly, in these Model Programs, Sterling does not manage model portfolios based on the financial situation or investment objectives of individual clients. In certain cases, Sterling provides model portfolios to an overlay manager, and Sterling affects the trades resulting from the model portfolio changes.

Sterling may make available through Model Programs the same or similar strategies that are available to other Sterling clients. However, not all of Sterling's strategies are available through Model Programs and not every Sterling strategy is available through a particular Model Program. The performance of a strategy available through a Model Program may differ from the performance of the same or similar strategy executed through another Model Program, client, or platform.

In a non-discretionary Model Program, Sterling does not consider itself to have an advisory relationship with clients of the Program Sponsor or overlay manager. If Sterling's Form ADV Part 2A is delivered to the Sponsor's model-based clients with whom Sterling does not have an advisory relationship, or where it is not legally required to be delivered, it is provided for informational purposes only.

### ***Outsourced Chief Investment Officer Services***

For clients seeking comprehensive asset allocation and investment selection solutions, Sterling's Advisory Solutions team provides Outsourced Chief Investment Officer ("OCIO") services by offering to clients an asset allocation framework with a comprehensive investment manager search-and-selection methodology to create client-specific portfolios. These open architecture, multi-asset class portfolios are constructed using specific investment objectives, risk tolerance, and other considerations of the client with a goal of delivering consistent, long-term, risk-adjusted performance.

While the asset allocation ranges included in a portfolio's investment objectives will provide a guide for Sterling's asset allocation services, the portfolio's actual asset allocation may, at any time, vary from the client's investment objectives for various reasons, including, but not limited to, fund flows into or out of the portfolio, market movements, and asset allocation decisions.

### ***Registered Investment Companies and Other Pooled Vehicles***

Sterling may act as an investment adviser to a variety of pooled investment vehicles (collectively, "Affiliated Funds"), including:

- (i) Registered investment companies, registered under the Investment Company Act of 1940, including open-end investment companies (mutual funds) and exchange-traded funds ("ETFs");
- (ii) Collective investment funds and trusts ("CIFs"), common trust funds ("CTFs"), common and collective trusts; and
- (iii) Private investment funds.

Sterling administers and serves as the investment adviser to the Sterling Capital Funds and serves as the investment adviser for the Sterling ETF, CIF, and CTF. Sterling, where appropriate and consistent with client guidelines, may purchase for client portfolios shares of the Affiliated Funds as part of the portfolio's applicable investment strategy. Clients should note that Sterling has a conflict of interest and financial incentive to choose Affiliated Funds because Sterling receives investment management and other fees from the Affiliated Funds. Sterling reduces our investment management fees with respect to investments in Affiliated Funds in client portfolios. However, this reduction in fees does not eliminate the conflict of interest as there are other incentives such as increasing Sterling's AUM or providing support to the Affiliated Funds. Clients have the right, at any time, to prohibit us from investing any of their managed assets in the Affiliated Funds.

With regard to the Sterling ETF, CIF and CTF, Sterling serves as investment adviser to the applicable trust that is administered by unaffiliated third-party trustees (e.g., Hand, Benefits & Trust Company ("Hand") with regard to the Sterling CIF and CTF and Northern Lights Fund Trust IV ("Northern Lights") with regard to the Sterling ETF) pursuant to a separate investment advisory agreement with the applicable trustee. Sterling, where appropriate and consistent with client guidelines, may recommend and introduce clients to Hand to establish an investment in the Sterling CIF and/or CTF and may recommend to or make investments of client accounts in Sterling Capital Funds and the Sterling ETF. Sterling does not receive a referral fee for introducing clients to Hand or in connection with investments in the Sterling Capital Funds and Sterling ETF. Sterling nevertheless has conflicts of interests in making such introductions, recommendations, and investments because (i) we have a financial incentive to introduce the client to Hand as Sterling will receive an increase in investment management fees should the client invest in the Sterling CIF or CTF and (ii) we have a financial incentive to recommend and make client investments in the Sterling Capital Funds and the Sterling ETF because Sterling receives investment management and other fees from the Sterling

Capital Funds and the Sterling ETF. Sterling reduces our investment management fees with respect to investments in the Sterling Capital Funds and the Sterling ETF in client portfolios. However, this reduction in fees does not eliminate the conflict of interest, as there are other incentives such as increasing Sterling's AUM or providing support to the Sterling Capital Funds and the Sterling ETF. Clients have the right, at any time, to prohibit us from investing any of their managed assets in the Sterling Capital Funds and the Sterling ETF.

The prospectus or offering document for each of the Affiliated Funds contains a complete description of the compensation Sterling receives for our services to each of the Affiliated Funds. The fees (e.g., expenses and advisory fees) payable by a client with respect to an Affiliated Fund may exceed the fees of an unaffiliated fund that employs a similar investment strategy as the relevant Affiliated Fund.

Sterling may serve as investment subadvisor to funds sponsored by investment advisers, banks, and other third-party financial institutions. Dependent on the duties described in the investment subadvisory agreement, Sterling may provide one or more of the following services: day-to-day investment management services to the fund(s); support the funds' compliance with applicable investment restrictions and investment policies; periodic performance and compliance reports to the funds' adviser and its board; and assist the funds' service providers in pricing certain securities and preparing various fund-related materials to be included in fund registration statements, proxies, and semi-annual and annual reports. Sterling may also provide investment-related content, fund communications, and meeting support to the funds' sponsors and their applicable affiliates.

### ***Retirement Plan Services***

Sterling provides investment management services to Retirement Plans ("Plans") on a non-discretionary basis as a "Co-Fiduciary" under Section 3(21) of the Employee Retirement Income Security Act of 1974 ("ERISA") and on a discretionary basis as an "Investment Manager" under Section 3(38) of ERISA. As a 3(21) Co-Fiduciary, Sterling has a shared fiduciary arrangement with the Plan where Sterling provides ongoing investment advice to the Plan; however, the Plan retains ultimate decision-making authority concerning the investments for Plan participants and may accept or reject the non-discretionary investment recommendations provided by Sterling. As a 3(38) Investment Manager, Sterling provides discretionary investment management services through a broad range of investment solutions and support services for the Plans and their participants.

### ***Direct Indexing and Ultra Tax Management Solutions***

Sterling's Direct Indexing and Tax Management business seeks to give clients broad US equity index exposure via portfolios comprised of hundreds of individual securities. Utilizing individual securities affords clients the ability to customize their index exposure, restrict individual securities, industries, or sectors, target preferred characteristics (such as dividend yield or value) and effect a charitable gifting program in a tax-efficient manner. In addition, management featuring continual monitoring for tax loss harvesting candidates is an extension of the service capability available for Direct Indexing clients.

### ***Client-Imposed Restrictions***

Clients may impose reasonable investment restrictions (e.g., prohibiting investing in certain securities or types of securities) or other specialized requirements on the management of their account. However, if the restrictions prevent Sterling from properly servicing the client account, or if the restrictions would require Sterling to deviate from our standard investment management services, Sterling may not accept a restriction and reserves the right to request the client to modify the restriction or end the relationship.

In addition, clients should be aware that investment restrictions imposed on a client's account can limit Sterling's ability to act and as a result the investment performance and diversification of the assets in a client's account may differ from a similar account in which no such restrictions have been imposed. Further, because of the timing and processes required to satisfy the requirements and circumstances relevant to an investment restriction, there will be circumstances where it is necessary for a client's account with an investment restriction to trade after Affiliated Funds that are invested in the same investment strategy and other Sterling managed accounts that do not contain an applicable trading or account restriction or client preference.



## **Item 5 – Fees and Compensation**

### **Fees – How and When Clients are Billed**

Sterling is compensated for providing investment management services by charging an investment management fee. Generally, the investment management fee is based on an annual rate on total AUM or assets under advisement (“AUA”) for Model Programs or other non-discretionary services. Occasionally, Sterling may consult on a small percentage of portfolios that are not actively managed by Sterling. Fixed fees may be set when the amount of work involved is not directly related to the AUM or AUA. Sterling does not receive compensation from the sale of securities or other investment products.

Performance-based investment management fees may be available, where applicable by law. These fee schedules are customized and individually negotiated. Please refer to Item 6 – Performance-Based Fees and Side-by-Side Management.

Fees and minimum account sizes may vary or be negotiable depending upon the types of products or services selected or the number of accounts and asset size associated with the client relationship. The negotiations may result in a reduced, higher, or fixed fee. Fees are generally billed quarterly, in advance or arrears, depending on the nature and circumstances of the client and services selected. Clients may elect to be billed directly for fees or to authorize Sterling to debit fees from the client’s managed account(s). In some instances, clients calculate their own fee and initiate payment to Sterling.

Sterling’s investment management agreement may be cancelled by either party upon written notice. If a client account is terminated prior to the end of a billing cycle, any investment management fees paid in advance will be refunded on a pro-rated basis. For clients that pay in arrears, in the event of a termination, any earned but unpaid fees will be billed on a pro-rata basis payable and due to Sterling.

Unless otherwise provided in an investment management agreement, when Sterling is responsible for calculating the fees owed by a client, we will calculate the fee according to the market value of AUM in the account on our internal accounting system(s), which may include securities for which current market prices are not available, securities for which Sterling elects to override the market price provided by a third party, or securities for which pending portfolio activities have not yet been fully processed. A conflict of interest exists when Sterling calculates fees based on securities that we have determined the market value for as Sterling may be incentivized to apply a higher valuation. Sterling has adopted valuation policies and procedures that are designed to value securities fairly, mitigating this conflict of interest. Due to differences in securities’ valuations and/or pending portfolio activities, a client account’s AUM calculated by Sterling may differ from the account’s AUM reported by the client’s custodian.

Sterling reserves the right to change our standard fee schedules and absent contractual provisions to the contrary, is not required to change the fee schedules of existing clients to match any such updated fee schedules, even if such updated fee schedules would be more advantageous to the client. Sterling may, at our sole discretion, offer certain clients more advantageous fee schedules than those offered to other clients for similar services provided.

### **Additional Fees and Costs**

There are a number of other fees that can be associated with holding and investing in securities. In addition to the investment management fees paid to Sterling, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions. These additional charges may include brokerage commissions, transaction fees, custodial fees, fees charged by other managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus or offering document (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer, and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

### **Fees for Fund Management**

Sterling may include mutual funds, ETFs, and other pooled vehicles (CTFs, CIFs, etc.) in our investment strategies; these funds also charge operating expenses, which are disclosed as “other expenses” in the fund’s prospectus or offering document. When Sterling purchases a mutual fund in a client portfolio, Sterling will, on a best-efforts basis, select the lowest cost share class of such mutual fund in which the client is eligible to invest at the time of initial



purchase. Sterling will periodically review advisory client mutual fund holdings to determine if a lower cost mutual fund share class is available to the client. Sterling will consider associated conversion fees, tax consequences and other relevant factors when determining if a client would benefit from the lower cost share class. If Sterling determines that a client would benefit from the lower cost share class, then Sterling will convert the client's mutual fund holdings.

Please refer to Item 12 – Brokerage Practices for the factors that Sterling considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Wrap Programs**

The fees described in this Brochure do not include information for investment management services Sterling provides through Wrap Programs. The terms of each client's account in a Wrap Program are governed by the client's agreement with the Program Sponsor and disclosure document for each Wrap Program. Wrap Program clients are urged to refer to the appropriate disclosure document and client agreement for more information about the Wrap Program and advisory services. The fees for a Wrap Program may result in higher costs than a client would otherwise realize by paying standard fees and negotiating separate arrangements for trade execution, custodial and consulting services. Wrap Programs typically pay a fee to the Program Sponsor based on assets managed through the program. The Program Sponsor generally pays Sterling a fee based on the assets managed by Sterling in the Wrap Program. Therefore, Sterling receives a portion of the wrap fee paid by each client in the program.

### **Investment in Affiliated Funds**

Sterling provides investment management services to the Affiliated Funds. Each Affiliated Funds' prospectus or offering document will include information about the fees and expenses paid by the Affiliated Fund, including compensation Sterling may receive for portfolio management and administrative services.

### **Standard Fee Schedules**

Please refer to Appendix - A for Sterling's standard fee schedules. The fee schedules are subject to change and are negotiable; therefore, existing and future clients of Sterling may have different fee arrangements or minimum investments from those stated in the fee schedule.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

In some cases, and in compliance with applicable law, client accounts may provide for investment management fees to include a share in the capital appreciation of the account, also known as performance or incentive fees. The amount of a performance-based fee can vary depending on factors such as the portfolio's relative return to a particular benchmark return. Sterling will take into consideration the investment objectives of the client as well as what Sterling deems to be reasonable performance goals.

Portfolio managers responsible for the management of performance-based portfolios may also be responsible for the management of portfolios with an asset-based fee or other fee arrangement. Performance-based fee arrangements create an incentive for Sterling to recommend investments that may be riskier or more speculative than those that would be recommended under an asset-based fee or other fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying portfolios over other portfolios in the allocation of investment opportunities.

Sterling is required to treat its clients fairly in relation to such conflicts of interest and will make decisions for client portfolios in accordance with its fiduciary responsibilities. Consistent with this fiduciary duty, Sterling's trading procedures seek to ensure that all clients are treated fairly and equitably over time, and that no client account is advantaged or disadvantaged over another. Sterling has adopted several policies and procedures to ensure that all accounts with substantially similar investment objectives are treated fairly and equally to prevent this conflict of interest from influencing the allocation of investment opportunities among clients. These policies and procedures include (i) Sterling's Code of Ethics, (ii) Sterling's trade allocation and aggregation policies, which seek to ensure that investment opportunities are allocated fairly among clients, and (iii) Sterling's allocation review procedures

which are reasonably designed to identify unfair or unequal treatment of accounts. Sterling does not consider fee structures in allocating investment opportunities.

Investment teams and individual portfolio managers may manage multiple accounts, including separate accounts and mutual funds, according to the same or a similar investment strategy. Side-by-side management of the funds and other accounts raises the possibility of favorable or preferential treatment of a client or a group of clients. In general, investment decisions for each client account will be made independently from those of other client accounts and are made with specific reference to the individual needs and objectives of each client account. There is no requirement that an adviser use the same procedures consistently with respect to all accounts. Different strategies and client guidelines may lead to the use of different methodologies for addressing the potential conflicts of interest.

Sterling may manage numerous accounts with similar or identical investment objectives or may manage accounts with different objectives that trade in the same securities. Portfolio decisions relating to clients' investments and the performance resulting from such decisions may differ from client to client. Sterling will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients, particularly if clients have different amounts of investable cash available. Given these and other potential conflicts, Sterling's allocation procedures are designed to ensure that clients are treated fairly over time.

## **Item 7 – Types of Clients**

Sterling provides investment management services to a diversified group of clients including, but not limited to, individuals, high net worth individuals, trusts, estates, banking or thrift institutions, affiliated and non-affiliated investment companies (e.g., mutual funds and ETFs) and other pooled investment products (e.g., CTFs, CIFs and private investment funds), investment advisers, foundations, endowments, charitable organizations, corporations and other business entities, insurance companies, state and municipal government entities, churches, and affiliated and non-affiliated Wrap Programs. In addition, Sterling also provides investment management services to retirement plans including 401(k) plans, 403(b) plans, pensions, and profit-sharing plans, non-qualified plans or other retirement plan types not listed.

Portfolio minimums vary by type of client (e.g., wealth management, institutional, Wrap Programs), investment type (e.g., fixed, equity), and investment strategy (e.g., small cap, mid cap, balanced, short term fixed, intermediate fixed). For specific portfolio minimums, please refer to Item 5 – Fees and Compensation.

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

### **Methods of Analysis**

Sterling's security analysis methods include fundamental, qualitative, quantitative, behavioral, cyclical, and technical. In conducting security analysis, we utilize a broad spectrum of information, including but not limited to financial publications, third-party research materials, annual reports, prospectuses, regulatory filings, company press releases, corporate rating services, remittance reports, inspections of corporate activities and meetings with management of various companies.

In addition, Sterling may consider or integrate environmental, social and governance ("ESG") factors in our investment process across certain equity and fixed income strategies, as well as in our Advisory Solutions investment manager search and selection process, as one of several fundamental considerations that make up the investment mosaic. Sterling believes that incorporating ESG principles into the investment process is useful, particularly in mitigating downside risk and volatility in investment portfolios. For example, within strategies where ESG considerations may apply, Sterling seeks to identify companies that have strong ESG characteristics while being aligned to Sterling's goal to pursue outperformance and attractive risk-adjusted returns. The extent to which ESG is a factor in the investment evaluation process is dependent on the materiality and relevancy to Sterling's investment strategies and products.

Sterling offers various investment strategies to our clients. In doing so, Sterling may invest in a wide range of securities and other financial instruments, unless expressly limited by written direction or our client's guidelines and policies. We employ a range of investment strategies to implement the advice we provide to clients, including but not limited to long-term purchases, short-term purchases, trading, short sales, option strategies (e.g., covered options, uncovered options, or spreading strategies), and over-the-counter derivative strategies.

The specific risk associated with a particular strategy depends on the securities used and the extent to which the strategy employs certain portfolio management techniques. Not all risks apply to each strategy. For a summary of each risk, see the **Summary of Material Risks** at the end of this item.

### **Principal Investment Strategies**

A summary for each principal investment strategy listed below is included along with the methods of analyses. Please refer to the **Summary of Material Risks** at the end of this item for a description of material risks that apply to the principal investment strategies.

#### ***Fixed Income (Taxable and Tax-Exempt)***

##### **Investment Types, Investment Strategies & Philosophy**

Sterling's Fixed Income team may invest in the following investment on behalf of clients including without limitation: securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; foreign government and government-related securities, securities issued by supranational organizations, corporate debt, preferred stock, taxable and tax-exempt municipal securities, asset-backed securities, mortgage-backed securities, including commercial mortgage-backed securities, convertible securities, investment companies (e.g., mutual funds and ETFs) and other pooled investment vehicles (e.g., CTFs, CIFs, etc.). Certain fixed-income strategies may also include investments in commodity interests (e.g., treasury futures), 144A securities, structured products, collateralized loan obligations ("CLOs"), derivatives (including swaps), fixed or floating rate loans or similar instruments that may be more volatile and less liquid than cash market fixed-income securities. Some strategies may also hold an allowance to non-investment grade securities.

Sterling's Fixed Income Team combines elements of both "top-down" as well as "bottom-up" investment management strategies in constructing portfolios. The "top-down" macro view drives the team's interest rate risk and sector allocation decisions, while "bottom-up" credit fundamentals drive the team's security selection decisions. For yield curve management, in addition to the trend in interest rates, other factors such as future inflation expectations, supply factors, and forward curve analysis are considered. Sector weightings are driven by a combination of the firm's macro view on the economy, sector fundamentals, interest rates and volatility as well as relative spread analysis. The Fixed Income Team then selects individual securities by utilizing fundamental analysis and looking for the best relative values within particular sectors. The analysis includes an attempt to understand the structure and embedded features of potential securities. Features that are analyzed include puts, calls, sinking fund requirements, prepayment and extension risk, debt limitations, lien baskets, restricted payments baskets and other covenants and individual company financial data for potential corporate holdings. Scenario analysis is the primary tool employed for these assessments. Sterling's fixed income strategies are managed primarily in one of the following mandates:

- Ultra Short Duration Fixed Income, including Cash and Enhanced Cash mandates, with an average duration ranging from 0.25 to 1.30 years.
- Short Duration Fixed Income, including Short Term and Short Term Investment Grade mandates, with an average duration ranging from 1.30 to 3.50 years.
- Intermediate Fixed Income includes mandates with an average duration ranging from 3.50 years to 5.50 years.
- Core Fixed Income includes mandates measured against the Bloomberg US Aggregate Bond Index.
- Long Duration Fixed Income includes mandates with an average duration of over 10 years.
- High Yield mandates
- Ultra Short, Short Term, Intermediate or Core Fixed Income Municipal mandates

## **Equity**

### **Investment Types, Investment Strategies & Philosophy**

Sterling's Equity and Advisory Solutions teams may invest in the following investment on behalf of clients including, without limitation: common and preferred stocks, exchange-listed securities, securities traded over-the-counter, foreign securities, investment companies (e.g., mutual funds and ETFs) and other pooled investment vehicles (e.g., CTFs, CIFs, etc.). Sterling may also invest, when appropriate, in real estate investment trusts ("REITS"), derivative instruments such as warrants, American Depository Receipts ("ADRs"), Global Depository Receipts, commodity interests (e.g., forwards, futures and swaps) and options.

### **Equity Opportunities - Equity Income, Special Opportunities, Global Leaders, and Focus Equity**

The Equity Opportunities portfolios consist of four separate strategies, each using a stock selection multi-cap, multi-style approach to build a diversified, but concentrated, portfolio. The Equity Income portfolio is primarily larger-cap equities and focused on total return, selecting stocks with increasing dividend payouts. The Special Opportunities portfolio seeks capital appreciation with a quality bias that tends to favor large- and mid-cap equities. The Global Leaders strategy uses a quality bias to select global equities. The Focus Equity portfolio seeks capital appreciation with a growth and quality bias that tends to favor large- and mid-cap equities.

In managing each of these portfolios, the Equity Opportunities team will place a strong emphasis on identifying companies with the following characteristics: quality business models, strong profitability, attractive valuation, strong balance sheets, robust financial returns, and talented management. Both quantitative and qualitative analyses are used in identifying investment opportunities. Valuation analysis of each security is conducted relative to its historical range, peers, current and potential growth rates, and the market. A long-term investment horizon allows portfolios to take advantage of transitory weakness that creates potential buying opportunities and may allow portfolios to compound value over the longer term as company management executes against multi-year investment theses.

### **Focused Factor - Small Cap Value, Large Cap Value, and International**

#### **(Focused Factor strategies are offered as Behavioral Small Cap Value Equity, Behavioral Large Cap Value Equity, and Behavioral International Equity for the Sterling Capital Funds)**

The Focused Factor suite of products consists of three separate strategies that employ techniques seeking to capitalize upon behavioral finance-based principles and to take advantage of inefficiencies within the market. Investors are prone to certain biases and heuristics (mental shortcuts) such as greed and fear that may create anomalies within the financial markets. Our investment process, from the valuation and momentum factors we use to the portfolio construction techniques we employ, is specifically designed to capitalize upon investor behavior.

The Small Cap Value Focused Factor portfolio seeks to invest in U.S. small capitalization stocks that will potentially offer greater capital appreciation than its applicable benchmark. The Large Cap Value Focused Factor portfolio seeks to invest in U.S. large and mid-capitalization stocks that will potentially offer greater capital appreciation than its applicable benchmark. The International Focused Factor portfolio seeks to invest in developed market (ex-U.S. and Canada) large and mid-capitalization stocks that will potentially offer greater capital appreciation than its applicable benchmark.

### **Fundamental - Small Cap Fundamental Value and Mid Cap Value**

Sterling's team of portfolio managers and analysts utilize quantitative and qualitative tools to examine the fundamental and investment characteristics of a particular company. The analysis is focused on finding undervalued businesses producing strong cash flows, high returns on invested capital, and sustainable competitive advantages. We seek businesses run by capable managers with a track record of good capital allocation and shareholder-aligned incentives. The team seeks attractive risk/reward investment opportunities and broad diversification across uncorrelated economic sectors.

Sterling's investment process attempts to analyze and define the intrinsic value of the business using both quantitative and qualitative fundamental analysis. We emphasize the five key factors listed below:

- Free cash flow
- Return on invested capital
- Sustainable competitive advantages
- Capable management

- Balance sheet strength

### **Large Cap Equity - Core Equity, Focused Equity, Dividend Advantage, and Concentrated**

The Large Cap Equity products consist of four separate strategies, each using a disciplined approach and a common fundamentally driven, multi-factor quantitative model to identify attractively valued equity securities with an emphasis on large capitalization stocks with above average financial quality. Factors used to manage the portfolios include earnings growth, forward earnings yield, cash flow, debt levels, price momentum and dividend yield. These strategies are typically employed for taxable client accounts; therefore, tax awareness is a key component of the investment process.

The portfolio management team will at times overlay strategies that emphasize certain segments of the market in order to position the portfolios to participate in attractive trends developing in the market. These decisions are driven by several factors including the current macro-economic environment and business cycle events. The strategies have the ability to invest a portion of the portfolio in attractively valued mid-cap stocks when appropriate. However, the portfolios will consistently maintain exposure to all sectors of the market and be positioned as large cap strategies at all times.

The Core Equity portfolio is a broadly diversified portfolio of 30-40 equity holdings across market sectors. Focused Equity is a more concentrated portfolio of 20-30 individual holdings; however, the portfolio maintains broad diversification across market sectors. The Dividend Advantage portfolio is diversified across market sectors and has a target dividend yield of 150% of the yield of the S&P 500. The Concentrated Portfolio consists of 12-15 equity holdings. All four Large Cap Equity strategies are comprised of publicly- traded equities with minimal cash levels.

The Large Cap Equity strategies take a long-term approach to the markets, and the portfolio team closely monitors the tax impact throughout the portfolio management process. This tax awareness approach includes attention to holding periods (long vs. short term), pending tax legislation, impact on after-tax returns and ex-dividend timing. These factors are balanced against the benefits associated with portfolio changes.

### **Real Estate**

The Real Estate strategy employs a combination of quantitative and qualitative measures, including underlying real estate values, earnings multiples, geographic and tenant concentrations, balance sheet metrics, company strategies, and management track record to identify the most attractive securities on a relative valuation basis within each property subsector. Based on the aforementioned criteria, stocks that appear undervalued relative to peers, and have identifiable fundamental catalysts, are buy candidates.

### **Relative - Small Cap Value and Mid Cap Relative Value**

The portfolio management team uses a value investment approach to invest primarily in common stock of small or mid-capitalization companies. We believe that undervalued companies with good earnings prospects have superior appreciation potential with reasonable levels of risk. Quantitatively, we focus on a stock's fundamental valuation relative to its peers, with particular emphasis on cash-flow valuation metrics. Other quantitative measures such as earnings momentum and relative price strength are also considered. Qualitatively, we seek to identify business catalysts, which will serve to drive future earnings growth, increase investor interest, and expand valuation. Management seeks to control risk through broad diversification across economic sectors.

### ***Other Investment Services/Strategies***

#### **Investment Types, Investment Strategies & Philosophy**

### **Advisory Solutions (OCIO)**

Sterling's Advisory Solutions team provides discretionary OCIO services and open architecture-based solutions for clients seeking comprehensive asset allocation, investment manager selection, and portfolio construction. Solutions are achieved by blending multiple investment strategies and asset classes. This combination can include domestic and international equities, fixed income, alternative investments, and private market assets. The investment process includes:

- Developing an asset allocation framework aligned with client specific goals and constraints



- Actively managing asset allocation, employing both quantitative and qualitative principles
- Seeking to identify investment managers for each allocation within the portfolio, including active and/or passive strategies
- Utilizing a complementary mix of investment managers
- Employing a diversified portfolio of affiliated or unaffiliated separately managed accounts, mutual funds, index funds, exchange-traded funds, Undertakings for Collective Investment in Transferable Securities Directive (UCITS), and/or private investment funds.

### Summary of Material Risks

Investing in securities involves risk of loss that clients should be prepared to bear. The value of assets held in a client's account or portfolio is subject to a variety of factors, such as the liquidity and volatility of the securities markets. Investment performance of any kind is not guaranteed, and Sterling's past performance with respect to other portfolios does not predict future performance with respect to any particular account or portfolio. In addition, certain investment products that may be purchased in a portfolio may pose greater risks and, in some instances, increased volatility and lack of liquidity. The below summary is not meant to describe all risks related to investments or potential investments in securities products.

**General Risks:** The risks below represent a general summary of the risks that pertain to the investment strategies described above.

- **Asset Allocation Risk:** The amount invested in various asset classes of securities may change over time and is subject to the risks associated with those asset classes (e.g., the asset class may underperform other asset classes or that the allocation selected by Sterling may fail to perform as expected).
- **Capital Market Assumptions:** Capital market assumptions are forecasts which involve known and unknown risks, uncertainties, and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance, or achievements expressed or implied by those projections. Past performance does not guarantee future results.
- **Commodities Risk:** The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, such as weather, embargoes, tariffs, public health, political environment, international factors, and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.
- **Convertible Securities Risk:** Convertible securities are securities that may be converted or exchanged into shares of an underlying stock or other asset at a stated exchange ratio or predetermined price. The market value of convertible securities tends to decline as interest rates increase and may be affected by changes in the price of the underlying security.
- **Counterparty Risk:** A financial institution or other counterparty with whom an investor does business (such as trading or securities lending), or that underwrites, distributes, or guarantees any investments or contracts that an investor owns or is otherwise exposed to, may decline in financial condition and become unable to honor its commitments. This could cause the value of an investor's portfolio to decline or could delay the return or delivery of collateral or other assets to the investor. Although there can be no assurance that an investor will be able to do so, the investor may be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with

the same party or another creditworthy party. The investor may have limited ability to eliminate its exposure under a credit default swap if the credit of the referenced entity or underlying asset has declined.

- **Cybersecurity-Related Risk:** Sterling is susceptible to cybersecurity risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction, or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems; compromises to networks or devices that Sterling and our service providers, if applicable, use to service our client; or operational disruptions or failures in the physical infrastructure or operating systems that support Sterling or our service providers, if applicable. Cyberattacks against, or security breakdowns of, Sterling or our service providers, if applicable, may adversely impact Sterling and our clients, potentially resulting in, among other things, financial losses; the inability to transact business on behalf of clients; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs; and/or additional compliance costs. Sterling may incur additional costs related to cybersecurity risk management and remediation. In addition, cybersecurity risks may also impact issuers of securities in which Sterling invest on behalf of clients, which may cause clients' investment in such issuers to lose value. There can be no assurance that Sterling or our service providers, if applicable, will not suffer losses relating to cyberattacks or other information security breaches in the future. While Sterling has established business continuity and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems.
- **Data Source Risk:** Sterling subscribes to a variety of third party data sources that are used to evaluate, analyze and formulate investment decisions. If a third party provides inaccurate data, client accounts may be negatively affected. While Sterling believes the third party data sources are reliable, there are no guarantees that data will be accurate.
- **Derivatives Risk:** The possibility of suffering a loss from a use of derivatives. The primary risk with many derivatives is that they can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative instrument. Use of derivatives for non-hedging purposes is considered a speculative practice and involves greater risks. The use of derivatives such as futures transactions and swap transactions involves other risks, such as the credit risk relating to the other party to a derivative contract (which is heightened for over-the counter swaps and other derivatives as compared to centrally cleared derivatives), the risk of difficulties in pricing and valuation, and the risk that changes in the value of a derivative may not correlate perfectly with relevant assets, rates, or indices. There is also the risk that Sterling may be unable to terminate or sell a derivatives position at an advantageous time or price.
- **Early Close/Trading Halt Risk:** An exchange or market may close or impose a market trading halt or issue trading halts on specific securities, or the ability to buy or sell certain securities or financial instruments may be restricted, which may prevent Sterling from buying or selling certain securities or financial instruments. In these circumstances, Sterling may be unable to rebalance its portfolios, may be unable to accurately price its investments and may incur substantial trading losses.
- **ESG Risk:** The use of ESG factors could result in selling or avoiding investments that subsequently perform well or purchasing investments that subsequently underperform. As a result, strategies that take ESG factors into account could underperform similar strategies that do not consider ESG factors. In addition, to the extent Sterling takes ESG factors into account when voting proxies, doing so may not always be consistent with maximizing performance of the issue or the account holding such security.
- **Focused Investment Risk:** Investments focused in asset classes, countries, regions, sectors, industries, or issuers that are subject to the same or similar risk factors and investments whose prices are closely correlated are subject to greater overall risk than investments that are more diversified or whose prices are not as closely correlated.
- **Foreign Currency Transaction Risk:** Fluctuations in exchange rates can adversely affect the market value of foreign currency holdings and investments denominated in foreign currencies.



- **Foreign Investment Risk:** Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic, or political instability.
- **Insurance-Linked Securities Risk:** Insurance-linked securities may include event-linked securities (also known as insurance-linked bonds or catastrophe bonds), quota share instruments (also known as reinsurance sidecars), collateralized reinsurance investments, industry loss warranties, event-linked swaps, securities of companies in the insurance or reinsurance industries, and other insurance and reinsurance-related securities.
- **Interest Rate Risk:** The possibility that the value of the investment will decline due to an increase in interest rates. Interest rate risk is generally higher for longer-term debt instruments and lower for shorter-term debt instruments.
- **Investment Manager Risk:** The possibility that an investment manager may underperform relevant benchmarks and fail to produce the intended results.
- **Issuer Risk:** Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.
- **Key Personnel Risk:** If one or more key individuals become unavailable to Sterling, including any of the portfolio managers of the investment strategies, who are important to the management of the portfolio's assets, the portfolio could suffer material adverse effects, including substantial share redemptions that could require the portfolio to sell portfolio securities at times when markets are not favorable.
- **Leverage Risk:** Utilizing leverage is subject to heightened risk. Leverage involves the use of various financial instruments or borrowed capital in an attempt to increase the return on an investment and can be intrinsic to certain derivative instruments. Leverage takes the form of borrowing funds, trading on margin, derivative instruments that are inherently leveraged, including but not limited to, forward contracts, futures contracts, options, swaps (including total return financing swaps and interest rate swaps), repurchase agreements and reverse repurchase agreements, or other forms of direct and indirect borrowings and other instruments and transactions that are inherently leveraged. Any such leverage, including instruments and transactions that are inherently leveraged, can result in the portfolio's market value exposure being in excess of the net asset value of the portfolio. A portfolio may need to liquidate positions when it is not advantageous to do so to satisfy its borrowing obligations. The use of leverage entails risks, including the potential for higher volatility and greater declines of a portfolio's value, and fluctuations of dividend and other distribution payments.
- **Liquidity Risk:** The possibility that certain securities or derivatives may be difficult or impossible to sell at the time and the price that would normally prevail in the market. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on performance.
- **Limited Operating History Risk:** The risk that a newly formed strategy or fund has no or a limited operating history to evaluate and may not attract sufficient assets to achieve or maximize investment and operational efficiencies.
- **Management Risk:** The risk that an investment strategy or technique may fail to produce the intended result.
- **Market Disruption and Geopolitical Risk:** The risk that geopolitical and other unpredictable events such as pandemics, outbreaks of infectious disease, environmental or natural disasters, wars and terrorism will disrupt securities markets and adversely affect global economies and markets, thereby decreasing the value of investments. Sudden or significant changes in the supply or prices of commodities or other economic inputs may have material and unexpected effects on both global securities markets and individual countries, regions, sectors, companies, or industries, which could significantly reduce the value

of investments. Securities markets may be susceptible to market manipulation or other fraudulent trading practices, which could disrupt their orderly functioning or reduce the prices of securities traded on them. Fraud and other deceptive practices committed by a company undermine Sterling's due diligence efforts and, when discovered, will likely cause a steep decline in the market price of those securities and thus negatively affect the value of investments. In addition, when discovered, financial fraud may contribute to overall market volatility, which can negatively affect an investment program, as well as the rates or indices of underlying investments.

- **Market Risk:** The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably for a variety of reasons, including general financial market conditions, changing market perceptions and changes in government intervention in the financial markets. These fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. Market risk may affect a single issuer, sector of the economy or the market as a whole. For fixed income securities, market risk is largely, but not exclusively, influenced by changes in interest rates. Equity securities generally have greater price volatility than fixed income securities, although under certain market conditions fixed income securities may have comparable or greater price volatility. A rise in interest rates typically causes a fall in values, while a fall in rates typically causes a rise in values. Finally, key information about a security or market may be inaccurate or unavailable. This is particularly relevant to investments in foreign securities.
- **Operational and/or Technology Risk:** Client accounts are subject to operational risks arising from various factors, including but not limited to, processing errors, communication failures, human errors, inadequate or failed internal or external processes, fraud by employees or other parties, limitations or failure in systems and technology, changes in personnel and errors caused by third-party service providers. Client accounts, which are managed by investment personnel across multiple offices, are subject to greater operational risks due to different systems and technology, potential communication failures and personnel changes.
- **Preferred Stock Risk:** Preferred stock represents an interest in a company that generally entitles the holder to receive, in preference to the holders of common stock, dividends, and a fixed share of the proceeds resulting from a liquidation of the company. Preferred stocks are generally subordinated in right of payment to all debt obligations and creditors of the issuer.
- **Pooled Investment Vehicles Risk:** Pooled investment vehicles include but are not limited to open- and closed-end investment companies, ETFs, CTFs, CIFs, and private funds. Pooled investment vehicles are subject to the risks of investing in the underlying securities or other investments. Shares of closed-end investment companies and ETFs may trade at a premium or discount to net asset value and are subject to secondary market trading risks.
- **Pandemic Risk:** Disease outbreaks that affect local economies or the global economy may materially and adversely impact client portfolio and Sterling's business. For example, uncertainties regarding the Coronavirus-19 (COVID-19) outbreak resulted in serious economic disruptions across the globe. These types of outbreaks can be expected to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions may lead to instability in the marketplace, including stock market losses and overall volatility, as occurred in connection with COVID-19. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. Sterling has a business continuity plan that is reasonably designed to ensure that the firm maintains normal business operations. However, in the event of a pandemic or an outbreak, there can be no assurance that Sterling or Sterling's service providers will be able to maintain normal business operations for an extended period or will not lose the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impacts of a pandemic or disease outbreak are unknown, resulting in a high degree of uncertainty for potentially extended periods of time.
- **Regulatory Risk:** Regulatory changes and restrictions imposed by regulators, self-regulatory organizations and exchanges vary from country to country and may affect the value of client investments and their ability to pursue their investment strategies. Any such rules, regulations and other changes, and any uncertainty

in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which can negatively impact performance. In addition, the performance for client accounts managed within the same strategy, but not subject to the regulatory restrictions, may differ.

- **Risk of Loss:** The specific risk associated with a particular strategy depends on the securities used and the extent to which the strategy employs certain portfolio management techniques. Not all risks apply to each strategy.
- **Security Selection Risk:** Core factors utilized by the strategy may fall out of favor and underperform versus the overall stock market and/or the benchmark index.
- **Valuation Risk:** Certain securities may be difficult to value, and there can be no assurance that the valuation placed on a security will reflect the actual price at which the security might be sold in a market transaction.

**Equity Risks:** The following risks apply primarily to equity investments.

- **ADR Risk:** ADRs are equity securities traded on U.S. exchanges that are generally issued by banks or trust companies to evidence ownership of foreign equity securities. ADRs may be issued in sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of ADRs. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Investing in ADRs may involve risks in addition to the risks in domestic investments, including less regulatory oversight and less publicly available information, less stable government and economies, and non-uniform accounting, auditing, and financial reporting standards. Additionally, unsponsored ADRs are frequently under no obligation to distribute communications received from the underlying issuer, and there is even less information publicly available about unsponsored ADRs than sponsored ADRs; unsponsored ADRs are also not obligated to pass through voting rights.
- **Company-Specific Risk:** The possibility that a particular investment may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.
- **Concentration Risk:** The risk that a strategy's concentration in specific securities may produce a greater risk of loss than a more diversified strategy.
- **Dividend Risk:** Companies that issue dividend-yielding securities are not required to continue to pay dividends on such securities. Therefore, there is the possibility that such companies could reduce or eliminate the payment of dividends in the future.
- **Emerging Markets Risk:** The risks associated with foreign investments are particularly pronounced in connection with investments in emerging markets. In addition, profound social changes and business practices that depart from norms in developed countries' economies have hindered the orderly growth of emerging economies and their markets in the past and have caused instability. High levels of debt tend to make emerging economies heavily reliant on foreign capital and vulnerable to capital flight. These countries are also more likely to experience high levels of inflation, deflation, or currency devaluation, which could also hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.
- **Energy and Natural Resource Company Risk:** The risks associated with investing in Master Limited Partnerships or other investment vehicles that may concentrate its investments in the energy infrastructure sector and may invest a significant portion of its assets in the natural resources sector of the economy.
- **Equity Securities Risk:** Common stock of an issuer in client portfolios may decline in price if the issuer fails to make anticipated dividend payments. Common stock will be subject to greater dividend risk than preferred stocks or debt instruments of the same issuer. In addition, common stocks have experienced

significantly more volatility in returns than other asset classes.

- **ETF Risk:** Investing in an ETF exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price, which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on market demand, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. A client account may not be able to liquidate ETF holdings at the time and price desired, which may impact performance.
- **Investment Style Risk:** The possibility that the market segment on which a strategy focuses will underperform other kinds of investments or market averages. An investment's value may decrease or remain unchanged if other investors fail to recognize the company's value. In addition, expected positive catalysts or other events may not occur.
- **Large Market Capitalization Companies Risk:** The value of investments in larger companies may not rise as much as smaller companies or larger companies may be unable to respond quickly to competitive challenges, such as changes in technology and consumer tastes.
- **Loan Risk:** Investments in loans are generally subject to the same risks as investments in other types of debt securities, including, in many cases, investments in high-yield/junk bonds. They may be difficult to value and may be illiquid.
- **Master Limited Partnership ("MLP") Risk:** Investments in MLPs are generally subject to many of the risks that apply to partnerships. For example, holders of the units of MLPs may have limited control and limited voting rights on matters affecting the partnership. MLPs that concentrate in a particular industry or region are subject to risks associated with such industry or region. Investments held by MLPs may be illiquid. Certain MLPs may also be subject to leverage risk.
- **Mid-Capitalization Company Risk:** Investments in mid-capitalization companies may be riskier, more volatile, and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.
- **Options Risk:** There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing an option transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. There can be no assurance that a liquid secondary market will exist for any particular option at a particular time; as a result, it may be costly to liquidate options. There is also no assurance that a liquid market will exist for any particular option contract on an exchange.
- **Quantitative Modeling Risk:** Strategies that employ quantitative models as a management technique. These models examine multiple economic factors using various proprietary and third-party data. The results generated by quantitative analysis may perform differently than expected and may negatively affect strategy performance for various reasons (e.g., human judgment, data imprecision, software or other technology malfunctions, or programming inaccuracies).
- **Real Estate-Related Investment and REIT Risk:** Real estate-related investments may decline in value as a result of factors affecting the real estate industry. Risks associated with investments in securities of companies in the real estate industry include decline in the value of the underlying real estate, default, prepayment, changes in value resulting from changes in interest rates and demand for real and rental property, and the management skill and creditworthiness of REIT issuers.

- **Short Selling Risk:** Short sales in securities that it does not own exposes a portfolio to speculative exposure risks. If a portfolio makes short sales in securities that increase in value, the portfolio may lose value. Certain securities may not be available or eligible for short sales. Short selling involves the risks of: increased leverage, and its accompanying potential for losses; the potential inability to reacquire a security in a timely manner, or at an acceptable price; the possibility of the lender terminating the loan at any time, forcing the portfolio to close the transaction under unfavorable conditions; the additional costs that may be incurred; and the potential loss of investment flexibility caused by the obligation to provide collateral to the lender and set aside assets to cover the open position. There can be no assurance that a portfolio will be able to close out a short sale position at any particular time or at an acceptable price. Any loss on short positions will not necessarily be offset by investing short-sale proceeds in other investments.
- **Short Sale/Options Risk:** There are several risks associated with transactions in options on securities, such as exchange-listed, over-the-counter and index options. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. There can be no assurance that a liquid secondary market will exist for any particular option at a particular time, especially when seeking to close out an option position; as a result, it may be costly to liquidate options. There is also no assurance that a liquid market will exist for any particular option contract at any particular time even if the contract is traded on an exchange.
- **Small Capitalization Company Risk:** Investing in smaller, lesser-known companies involves greater risk than investing in those that are more established. For example, a small company's financial well-being may depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities, and their market prices often fluctuate more than those of larger firms.
- **Style Factor Risk:** The possibility that a particular investment may lose value due to its exposure to one or more of many style factors, such as size or market capitalization, momentum, leverage, earnings variability, growth characteristics, value characteristics, yield, etc.
- **Value Investing Risk:** Sterling's assessment of an equity security's intrinsic value may never be fully recognized or realized by the market, and an equity security judged to be undervalued or overvalued may actually be appropriately priced or its price may move in the wrong direction. Because different types of stocks tend to shift in and out of favor depending on market and economic conditions, value-oriented funds may underperform when growth investing is in favor.

**Fixed Income Risks:** The following risks apply primarily to fixed income investments.

- **Bank Loan Risk:** Bank loans are subject to the risk of default. Default in the payment of interest or principal on a loan will result in a reduction of income to the account, a reduction in the value of the loan, and a potential decrease in the account's balance. The risk of default will increase in the event of an economic downturn or a substantial increase in interest rates. Bank loans are subject to the risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments. Bank loans reside higher in the capital structure than high yield bonds; therefore, default losses have been historically lower in the bank loan market. Bank loans that are rated below investment grade share the same risks of other below investment grade securities.
- **Collateralized Mortgage Obligations ("CMOs") Risk:** CMOs are comprised of various tranches, the expected cash flows on which have varying degrees of predictability as compared with the underlying mortgage assets. The less predictable the cash flow, the higher the yield and the greater the risk. In addition, if the collateral securing CMOs or any third party guarantees are insufficient to make payments, an account could sustain a loss.
- **Collateralized Loan Obligations ("CLOs") Risk:** Structured finance securities such as CLOs entail a variety of unique risks. The performance of a CLO is affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of



payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral, and the capability of the servicer of the securitized assets. The value of CLOs may be difficult to determine and generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLOs are also subject to operational, credit, liquidity, and interest rate risks.

- **Credit Risk:** The possibility that an issuer cannot make timely interest and principal payments on its debt securities such as bonds. The lower a security's rating, the greater its credit risk.
- **Estimated Maturity Risk:** The possibility that an underlying security issuer will exercise its right to pay principal on an obligation earlier or later than expected. This may happen when there is a rise or fall in interest rates. These events may shorten or lengthen the duration (e.g., interest rate sensitivity) and potentially reduce the value of these securities.
- **Fixed Income Market Risk:** Fixed income securities markets may, in response to governmental intervention, economic or market developments (including potentially a reduction in the number of broker-dealers willing to engage in market-making activity), or other factors, experience periods of increased volatility and reduced liquidity.
- **High-Yield/High-Risk Debt Securities Risk:** High-yield/high-risk debt securities are securities that are rated below investment grade by the primary rating agencies. These securities are considered speculative and involve greater risk of loss than investment grade debt securities.
- **Income Risk:** The possibility that the portfolio's income will decline due to a decrease in interest rates. Income risk is generally high for shorter-term bonds and low for longer-term bonds.
- **LIBOR Risk:** Certain securities use the London Interbank Offered Rate (LIBOR) as a 'reference' or 'benchmark' rate. LIBOR was the average offered rate for various maturities of short-term loans between certain major international banks. The administrator of LIBOR ceased publication of most LIBOR settings on a representative basis at the end of 2021 and LIBOR was last published on a representative basis at the end of June 2023, although it may continue to be quoted for some contracts until September 2024. While the effect of the phase out cannot yet be fully determined, the transition away from LIBOR and the use of replacement rates may adversely affect the interest rates on, and the liquidity and value of, certain assets tied to LIBOR.
- **Mortgage-Backed and Asset-Backed Securities Risk:** Mortgage-backed and other asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Rising interest rates tend to extend the duration of mortgage-backed securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. Mortgage-backed securities are also subject to pre-payment risk. Due to their often-complicated structures, various mortgage-backed and asset-backed securities may be difficult to value and may constitute illiquid securities. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer protection credit laws with respect to these securities, which may give the debtor the right to avoid or reduce payment.
- **Municipal Securities Risk:** Municipal obligations are issued by or on behalf of states, territories, and possessions of the United States and their political subdivisions, agencies and instrumentalities and the District of Columbia to obtain funds for various public purposes. Municipal obligations are subject to more credit risk than U.S. government securities that are supported by the full faith and credit of the United States. The ability of municipalities to meet their obligations will depend on the availability of tax and other revenues, economic, political, and other conditions within the state and municipality, and the underlying fiscal condition of the state and municipality. As with other fixed income securities, municipal securities also expose their holders to market risk because their values typically change as interest rates fluctuate.

- **Prepayment/Call Risk:** When mortgages and other obligations are prepaid and when securities are called, the portfolio manager may have to reinvest in securities with a lower yield or fail to recover additional amounts (e.g., premiums) paid for securities with higher interest rates, resulting in an unexpected capital loss. Call risk is the possibility that, during periods of declining interest rates, a bond issuer will “call” or repay higher-yielding bonds before their stated maturity date. In both cases, investors receive their principal back and are typically forced to reinvest it in bonds that pay lower interest rates.
- **Private Placement Risk:** Privately issued securities are restricted securities that are not publicly traded and may be less liquid than those that are publicly traded.
- **Repurchase Agreement Risk:** Repurchase agreements are subject to risks associated with the possibility of default by the seller at a time when the collateral has declined in value, or insolvency of the seller, which may affect an account’s right to control the collateral.
- **Quantitative Modeling Risk:** Strategies that employ quantitative models as a management technique. These models examine multiple economic factors using various proprietary and third-party data. The results generated by quantitative analysis may perform differently than expected and may negatively affect strategy performance for various reasons (e.g., human judgment, data imprecision, software or other technology malfunctions, or programming inaccuracies).
- **State-Specific Risk:** By concentrating investments in securities issued by one political subdivision, a strategy may be more vulnerable to unfavorable developments than strategies that are more geographically diversified.
- **Swap Risk:** The use of swap transactions is a highly specialized activity that involves strategies and risks different from those associated with ordinary portfolio security transactions. Incorrectly forecasting default risks, market spreads or other applicable factors or events can significantly affect investment performance. Swaps are highly illiquid and not easily traded away. The portfolio generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the portfolio may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation, as in the case of exchange-traded instruments, or another third party, as in the case of over-the-counter instruments) defaults, there can be no assurance that the counterparty will be able to meet or enforce the contractual obligations. It is also possible that developments in the derivatives market, including changes in government regulation, could adversely affect Sterling’s ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.
- **Tax Risk:** The risk that the issuer of securities will fail to comply with certain requirements of the Internal Revenue Code, which would cause adverse tax consequences. Changes or proposed changes in federal or state tax laws may cause the prices of tax-exempt securities to fall and/or may affect the tax-exempt status of the securities in which the strategy invests.
- **U.S. Government Securities Risk:** Although U.S. government securities issued directly by the U.S. government are guaranteed by the U.S. Treasury, other U.S. government securities issued by an agency or instrumentality of the U.S. government may not be. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.
- **Variable and Floating Rate Instrument Risk:** Variable and floating rate instruments are generally less sensitive to interest rate changes than other fixed rate instruments; however, the value of floating rate instruments may decline if their interest rates do not rise as quickly, or as much, as general interest rates.
- **Yankee Bond Risk:** Yankee bonds are subject to the same risks as other debt instruments, notably credit risk, market risk, currency, and liquidity risk. Other risks include adverse political and economic developments, the extent and quality of government regulations of financial markets and institutions, the imposition of foreign withholding or other taxes, and the expropriation or nationalization of foreign issuers.



## **Affiliated Fund Risks**

- **Ownership Concentration Risk:** Client accounts managed or advised by Sterling and our affiliates and Sterling and/or our affiliates in their own corporate capacities have significant ownership interest in certain Affiliated Funds. A large sale or redemption of shares of an Affiliated Fund by Sterling and/or our affiliates acting on their own behalf or on behalf of their client accounts may occur at any time, including a time that is not desirable and/or which impair the ongoing viability of an Affiliated Fund and result in the termination and liquidation of the Affiliated Fund, which may result in losses and/or adverse tax consequences as a result of the sale of portfolio securities, or, if the Affiliated Fund is able to continue operating, may result in losses, increased transaction costs and/or adverse tax consequences as a result of the sale of portfolio securities.
- **Volcker Rule Risk:** Pursuant to Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and certain rules promulgated thereunder (the Volcker Rule), if Sterling and/or our affiliates own 25% or more of the outstanding ownership interests of an Affiliated Fund after the permitted seeding period from the implementation of the Affiliated Fund's investment strategy (generally 3-5 years), the Affiliated Fund will be subject to regulatory restrictions on trading that would adversely impact the Affiliated Fund's ability to execute its investment strategy. As a result of the Volcker Rule, Sterling and/or our affiliates elect to or may be required to reduce their ownership interests in an Affiliated Fund at a time that is not desirable and/or which impair the ongoing viability of the Affiliated Fund and result in the termination and liquidation of the Affiliated Fund, which may result in losses and adverse tax consequences as a result of the sale of portfolio securities, or, if the Affiliated Fund is able to continue operating, may result in losses, increased transaction costs and adverse tax consequences as a result of the sale of portfolio securities.
- **Bank Holding Company Act Risk:** Under the terms of Bank Holding Company Act of 1956, Sterling and/or our affiliates must reduce our aggregate voting ownership interests in any Affiliated Fund to no more than 5% of the outstanding ownership interests of an Affiliated Fund within a 10-year seeding period. As a result of this legal requirement, Sterling and/or our affiliates may elect to or may be required to reduce their ownership interests in an Affiliated Fund at a time that is not desirable and/or which impairs the ongoing viability of the Affiliated Fund and/or results in the termination and liquidation of the Affiliated Fund, which may result in losses and/or adverse tax consequences as a result of the sale of portfolio securities, or, if the Affiliated Fund is able to continue operating, may result in losses, increased transaction costs and/or adverse tax consequences as a result of the sale of portfolio securities.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sterling. Sterling does not have any material disciplinary events or matters to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Registration of Management Persons as Registered Representatives of a Broker-Dealer**

Sterling is not a registered broker-dealer; however, Sterling has employees who are registered representatives of Sterling Capital Distributors, LLC (the "Distributor"), a limited purpose broker-dealer and distributor to the Sterling Capital Funds. The Distributor is not affiliated with Sterling or our affiliates.

### **Registration as Commodity Pool Operator and Commodity Trading Adviser**

Neither Sterling, nor any of our employees, is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

### **Affiliations and Conflicts of Interest**

As an independently operated subsidiary of Truist Financial Corporation (Truist), a diversified banking and financial holding company, Sterling is affiliated with Truist Bank, a North Carolina banking company, various investment advisers and broker-dealers (listed below) and other financial entities under common ownership with Truist. From time to time, Sterling may engage in business activities with some of these companies, subject to our policies and procedures governing how we handle conflicts of interest.

Sterling manages accounts on behalf of our affiliates, which creates conflicts of interest related to Sterling's determination to use or recommend the services of such affiliates. The particular services involved will depend on the types of services offered by the affiliate. The use of affiliates to provide services to clients and Sterling creates certain conflicts of interest for Sterling. Among other things, there are financial incentives for Sterling's affiliates, including our parent company, Truist, to favor affiliated service providers over non-affiliated service providers, and compensation of Sterling's and Truist and its affiliates' employees may be directly or indirectly related to the financial performance of Sterling. Sterling has adopted policies and procedures reasonably designed to appropriately mitigate conflicts of interest that arise between Sterling and our affiliates. Sterling attempts to mitigate potential conflicts and disclose such potential conflicts as appropriate. Nevertheless, there are circumstances where client interests' conflict with Sterling's and our employees' interests, the interests of our affiliates and their employees, the interests of other clients, or the interests of our affiliate's clients. Some of these conflicts of interest are inherent to our business.

Affiliates may recommend and invest client accounts in Affiliated Funds or internally managed strategies which creates a conflict of interest because Sterling benefits from increased allocations to the Affiliated Funds and to our internally managed strategies. Sterling and our affiliates may receive administration, custody, trust services or other fees for services provided to such clients.

Persons associated with Sterling or our affiliates may themselves have investments in securities, pooled investment vehicles, or other assets, that are recommended to clients or affiliated clients or held in portfolios, subject to compliance with our policies regarding personal investments. Additional information regarding these potential conflicts of interest is provided under Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

### **Broker-Dealers**

***Sterling Capital Distributors, LLC*** (the "Distributor") is a limited purpose broker-dealer and currently serves as the principal underwriter of the Sterling Capital Funds. The Distributor is not affiliated with Sterling or Sterling's affiliates. Sterling employees who are involved in marketing or soliciting the Affiliated Funds are also licensed, registered representatives of the Distributor.

***Truist Securities, Inc.*** ("Truist Securities") is a wholly owned subsidiary of Truist and a registered broker-dealer. Truist Securities conducts a general securities business with the public, acting as a broker and a dealer in stocks, bonds, mutual funds, options, and other investments. When Sterling exercises discretion to effect agency transactions in securities or other instruments through Truist Securities or to purchase securities on behalf of clients in offerings with respect to which Truist Securities serves as an underwriter, Truist Securities will economically benefit from such transactions.

***Truist Investment Services, Inc.*** ("TIS") is a wholly owned subsidiary of Truist, a SEC-registered broker-dealer, a member FINRA, a SIPC, and a licensed insurance agency offering securities, brokerage accounts and insurance (including annuities). TIS provides retail distribution for the Sterling Capital Funds and the Sterling ETF; this is a conflict of interest as Sterling receives investment management and other fees from the Sterling Capital Funds and the Sterling ETF.

### **Registered Investment Companies or Other Pooled Investment Vehicles**

Please refer to Item 4 – Advisory Business, Registered Investment Companies and Other Pooled Vehicles.

### **Other Investment Advisers**

**Sterling Capital (Cayman) Limited** is a wholly owned subsidiary of Sterling Capital Management LLC and facilitates investment management services to non-U.S. companies.

**Truist Advisory Services, Inc.** (“TAS”) is a wholly owned subsidiary of Truist and an SEC-registered adviser that offers investment advisory services. Sterling provides investment management services to TAS and TAS clients through both discretionary (sub-advisory) and non-discretionary (model) arrangements through various TAS platforms. Sterling receives compensation from TAS for the services provided under these arrangements. These arrangements are a conflict of interest as Sterling is compensated based on the asset under management/advisement and therefore this arrangement provides additional revenue for Sterling.

### **Banking or Thrift Institution**

**Truist Financial Corporation** (“Truist”) is a diversified banking and financial holding company and operates banking subsidiaries across several states and Washington, D.C. Sterling is an independently operated subsidiary of Truist. Sterling generally does not recommend securities issued by Truist for purchase in our client accounts. Truist from time to time may invest in Sterling products or strategies, including providing Sterling with seed capital to support funds, strategies, or products.

Truist and its direct and indirect subsidiaries, including Sterling, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the “BHCA”), to regulation and supervision by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and to the provisions of, and regulations under, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The BHCA and the Dodd-Frank Act (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among Truist, its affiliates (including us) and our clients, and may restrict our investments, transactions, and operations.

For example, the BHCA regulations applicable to Truist and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held, or controlled by related entities. Thus, in certain circumstances, positions held by Truist and its affiliates (including us) for client and Affiliated Funds may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in that company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, Truist may in the future, in their sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA, the Dodd-Frank Act or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

**Truist Bank** is a North Carolina banking company and a wholly owned subsidiary of Truist. Sterling provides investment management services to Truist Bank and Truist Bank clients through both discretionary (direct or sub-advisory) and non-discretionary (model) arrangements through various Truist Bank platforms. Sterling receives compensation from Truist Bank for the services provided under these agreements. These arrangements are a conflict of interest as Sterling is compensated based on the asset under management/advisement and therefore this arrangement provides additional revenue for Sterling. In addition, Truist Bank serves as trustee and/or custodian of certain client accounts for which Sterling provides investment management services either through a direct contract with the client or a contract with Truist Bank. Sterling also compensates Truist Bank employees for referrals, which creates a conflict of interest for Truist Bank, and its employees in connection with their referrals to Sterling.

### **Other Conflicts, Activities and Relationships**

Sterling does not receive direct compensation from third-party investment management firms for recommending or selecting the firm’s services, securities and/or products. However, Sterling employees may benefit indirectly if they

attend conferences partially or fully paid for by such third-party investment managers. Such benefits create a conflict of interest that could affect the objectivity of Sterling's research and recommendations. Sterling addresses this conflict of interest by supervising the activities conducted by Sterling employees for conformity with Sterling's fiduciary duty to clients as codified in the Advisers Act and Sterling's compliance policies.

Employees of Sterling serve on the boards of directors of investment management clients, including the Sterling Capital Funds. Serving in such capacity may give rise to conflicts of interest to the extent that an employee's fiduciary duties to the board may conflict with the interests with the client. Such conflicts will be addressed and managed on a case-by-case basis and by adherence with Sterling's compliance policies.

Sterling and our affiliates conduct business with companies, managers and investment companies covered by Sterling or one of our affiliates. Furthermore, Sterling and our affiliates and our respective client accounts may hold a trading position (long or short) in the securities of companies or investment companies subject to such covered activities (e.g., research and recommendations). Therefore, Sterling will have a conflict of interest that could affect the objectivity of our research and recommendations. Sterling addresses this conflict of interest by supervising the activities by Sterling employees for conformity with Sterling's fiduciary duty to clients as codified in the Advisers Act and Sterling's compliance policies.

Clients of Sterling who are retirement plan sponsors will frequently offer shares of one or more of the Sterling Capital Funds as investment options for their plan participants or beneficiaries. It is customary in these situations that a bank, broker-dealer, or other financial institution will serve as a retirement plan trustee and/or custodian. These entities (Shareholder Service Agents) act in the capacity of service providers to the Sterling Capital Funds by offering participant education, record-keeping, marketing, or other shareholder services (together, Shareholder Services). In these arrangements, the prospectus of the Sterling Capital Funds allows the fund portfolios to compensate these service providers for Shareholder Services rendered by the service provider (Shareholder Services Fees). From time to time, Sterling may choose to supplement Shareholder Services Fees paid by the Sterling Capital Funds with additional compensation paid directly from Sterling to service providers for Shareholder Services rendered by the service provider. Please refer to the Sterling Capital Funds' Prospectus for additional information regarding Shareholder Services Fees.

From time to time, Sterling and our employees may take an active role in portfolio companies on behalf of clients. This may take various forms, including company Board of Director participation, solicitation of potential buyers for portfolio companies; and solicitation of other shareholders within the guidelines established by various regulatory bodies. This activity may create conflicts of interest; however, Sterling believes there are occasions when such participation is consistent with Sterling's fiduciary duty to our clients. Sterling has implemented policies and procedures concerning outside business activities to address applicable conflicts of interest.

Sterling, on occasion, assists with sponsoring client conferences organized by Wrap Program Sponsors who recommend Sterling to their clients. In addition, employees of Sterling attend education sessions partially or fully paid for by prospective or existing third-party investment managers. The participation in these education sessions could potentially encourage Sterling employees to promote and recommend products from those Program Sponsors or investment managers, thus creating a conflict of interest. Sterling addresses this conflict of interest by supervising the activities by Sterling employees for conformity with Sterling's fiduciary duties to clients as codified in the Advisers Act and Sterling's compliance policies.

From time to time, Sterling and our employees give or receive gifts and/or entertainment to or from clients, intermediaries, or service providers, which could have the appearance of affecting or may potentially affect the judgment of Sterling's employees, or the manner in which they conduct business. Sterling addresses this conflict of interest by supervising the activities by Sterling employees for conformity with Sterling's fiduciary duty to clients as codified in the Advisers Act and Sterling's compliance policies.

Additional information regarding potential conflicts of interest is provided under Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Sterling has adopted a Code of Ethics (the “Code”) that includes provisions that require Sterling employees to, among other things: (i) conduct personal securities transactions in a manner consistent with the Code and associated policies and in such a manner as to avoid any actual or potential conflicts of interest; (ii) comply with applicable laws and regulations; and (iii) annually provide an acknowledgement of compliance with the Code. A copy of the Code will be provided to any client or prospective client upon request. Clients may request a copy by contacting us at the address, telephone number or email on the cover page of this document.

Sterling’s Code and associated policies and procedures: (i) are reasonably designed to prevent the misuse of material, nonpublic information by employees; (ii) require employees to obtain approval prior to engaging in all covered security transactions, including those issued in private placements; (iii) restrict employees from purchasing or selling securities for their own accounts or for accounts of family members over which they have control prior to the full satisfaction of clients’ needs with respect to such securities; (iv) require employees to provide the details of all reportable personal security transactions; and (v) require employees to promptly report any violation of the Code of which they become aware.

Additionally, all Sterling employees are subject to other Sterling policies and procedures, that set forth restrictions regarding confidential and proprietary information, information barriers, outside business activities and gifts & entertainment. All Sterling employees are required to familiarize themselves, comply, and attest annually to their compliance with provisions of Sterling’s policies and procedures.

### **Participation or Interest in Client Transactions and Other Conflicts of Interest**

#### ***Principal Transactions, Cross and Agency Cross Transactions***

When permitted by applicable law and Sterling’s policy, Sterling, acting on behalf of its advisory accounts, from time to time enters into a transaction in securities or other instruments with Sterling or through an affiliated broker-dealer and causes accounts to engage in principal transactions, cross transactions and agency cross transactions.

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, including when Sterling or its affiliates have principal investments in an Affiliated Fund, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. When an investment adviser engages in a principal transaction, it may have an incentive to favor its own interests over the interests of its client. Sterling or our affiliates, in certain circumstances, where permitted by applicable law, may engage in principal transactions including with Affiliated Funds that we advise.

A “cross transaction” occurs when Sterling arranges a transaction between different advisory clients where they buy and sell securities or other instruments from, or to each other. For example, in some instances a security to be sold by one client account may independently be considered appropriate for purchase by another client account. In such cases, Sterling may, but is not required to, cause the security to be “crossed” or transferred directly between the relevant accounts at an independently determined market price. Fixed income cross transactions may be subject to markups, customary custodian fees and transfer fees, no part of which will be received by Sterling.

Sterling may conduct cross trades between two accounts that are executed through external brokers. Sterling generally allows cross trading if the transaction complies with our policy and is fair and equitable to both accounts. Cross trading can reduce the transaction costs for both the buying and selling accounts and may allow for other beneficial efficiencies to clients. Although cross trading presents a potential fiduciary conflict of interest, cross trading may be appropriate if we fulfill our fiduciary obligations to clients on both sides of the transaction and where best execution requirements are met and permitted by applicable laws and regulations.

An “agency cross transaction” occurs if Sterling acts directly, or through an affiliate broker-dealer, for both the client and a person on the other side of the transaction. Sterling faces potentially conflicting division of loyalties and responsibilities to the parties in such transactions, including with respect to a decision to enter into such transactions as well as with respect to valuation, pricing and other terms. Although an agency cross transaction presents a potential fiduciary conflict of interest, agency cross transactions may be appropriate if we fulfill our fiduciary



obligations to clients on both sides of the transaction and where best execution requirements are met and permitted by applicable laws and regulations.

Sterling has developed policies and procedures in relation to such transactions and conflicts. In the case of funds or certain other advisory accounts, consent may be granted by a governing body, a committee of investors, or independent persons acting for an advisory account. In these cases, other investors will not have the opportunity to provide or withhold consent to the proposed transaction. Where a registered investment company participates in a cross trade, Sterling will comply with procedures adopted pursuant to Rule 17a-7 under the Investment Company Act of 1940 and related regulatory authority.

### ***Use of Affiliated Funds and Internally Managed Strategies***

Conflicts of interest will arise whenever Sterling has an actual or perceived economic benefit or other incentive in connection with the management of clients' portfolios. Conflicts will result, for example (to the extent the following activities are permitted in the account), when Sterling invests in an investment product, such as an investment company or separately managed account, managed by Sterling.

### **Allocation of Client Assets to Affiliated Funds (including new Affiliated Funds)**

Sterling, where appropriate and consistent with client guidelines, may purchase for client portfolios shares of the Affiliated Funds as part of the portfolios' investment strategy. Clients should note that Sterling has a conflict of interest and financial incentive to allocate client assets to Affiliated Funds because Sterling receives investment management and other fees from the Affiliated Funds. Sterling reduces its investment management fees with respect to investments in Affiliated Funds in client portfolios. However, this reduction in fees does not eliminate the conflict of interest, as there are other incentives such as increasing Sterling's AUM or providing support to the Affiliated Funds such as allocating client assets to an Affiliated Fund that is small or pays higher fees to Sterling or its affiliates or to which Sterling or its affiliates provided seed capital. In addition, Sterling could have an incentive not to withdraw a client's investment from an Affiliated Fund in order to avoid or delay the withdrawal's adverse impact on the underlying fund.

Certain accounts managed by Sterling or its affiliates have significant ownership in certain Affiliated Funds. Sterling and its affiliates face conflicts of interest when considering the effect of redemptions on such funds and on other fund shareholders in deciding whether and when to redeem its shares. A large sale or redemption of shares by Sterling acting on behalf of its discretionary clients could result in the underlying Affiliated Fund selling securities when it otherwise would not have done so, and potentially increasing transaction costs and adversely affecting fund performance. A large sale or redemption could also significantly reduce the assets of the fund, causing decreased liquidity and, depending on any applicable expense caps, a higher expense ratio or liquidation of the fund. Sterling addresses these conflicts of interest by supervising the activities by Sterling employees for conformity with Sterling's fiduciary duty to clients as codified in the Advisers Act and Sterling's compliance policies.

Clients have the right, at any time, to prohibit us from investing any of their managed assets in the Affiliated Funds.

### **Advisory Solutions OCIO**

Investment strategies may be selected from both Sterling and third-party asset managers and are subject to a due diligence review process by Sterling's Advisory Solutions team. From this pool of strategies, the team selects those strategies that they believe fit the asset allocation goals and meets the client's investment objectives or directives. Sterling may allocate a portion of the investment strategy to Affiliated Funds or internally managed strategies. The portion allocated to the Affiliated Funds or internally managed strategies will vary depending on the investment objective and strategy, but ranges from 0 to 100 percent.

It is important to note that Sterling will receive compensation when internally managed strategies are included in the investment allocation. For assets allocated to internally managed strategies, Sterling will waive advisory or overlay fees; however, this reduction in fees does not eliminate the conflict of interest, as there are other incentives such as increasing Sterling's AUM or providing support to the Affiliated Funds. Clients have the right, at any time, to prohibit Sterling from allocating their investment strategy in the Affiliated Funds or internally managed strategies.

### ***Affiliated Transactions***

If permitted by a client's investment objectives and guidelines, and subject to compliance with applicable law, regulations and exemptions, Sterling may purchase securities for client accounts, including new issues, during an underwriting or other offering of such securities in which a broker-dealer affiliate of Sterling acts as a manager, co-manager, underwriter, or placement agent and for which the affiliate receives an economic benefit in the form of management, underwriting or other fees.

When Sterling exercises its discretion to affect agency transactions in securities or other instruments through an affiliated broker-dealer the affiliate will receive an economic benefit from such transactions.

### **Proprietary Investments by the Adviser and/or its Related Persons**

#### ***Initial Funding & Seed Capital***

In the ordinary course of business, and subject to compliance with applicable regulations, Sterling, our affiliates and/or existing and future employees will from time-to-time invest in products managed by the firm, and we or such related persons may establish the initial funding (Sterling Seed Capital) necessary to establish new Affiliated Funds or investment accounts for the purpose of establishing a performance history for new or potential investment strategies and products (collectively, "Proprietary Accounts"). Investment by Sterling, our affiliates or our employees in Proprietary Accounts creates conflicts of interest because we may have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating, or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We also may have an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts. We also may waive or reduce fees for Proprietary Accounts or for certain affiliated persons who invest in such Proprietary Accounts.

Sterling Seed Capital may be used to form registered investment companies, including mutual funds and ETFs, and may invest in the same securities as other client accounts. Sterling Seed Capital can be redeemed at any time generally without notice as permitted by the governing documentation and applicable regulations. Due to the requirements of applicable banking laws and regulations, Sterling Seed Capital can be required to be withdrawn within a period of three to five years following launch of a mutual fund or ETF (see Item 8 – Affiliated Fund Risks). A large redemption of shares by Sterling or its related persons could result in the Affiliated Fund selling securities when it is not desirable accelerating the realization of capital gains and increasing transaction costs. A large redemption could significantly reduce the assets of an Affiliated Fund, causing a higher expense ratio, decreased liquidity, or liquidation of the Affiliated Fund. Sterling Seed Capital also subjects an Affiliated Fund to additional regulatory restrictions, including FINRA Rule 5130. For example, seeded funds are precluded from buying or selling certain securities, including IPOs.

Where permitted, Proprietary Accounts can and frequently do, invest in the same securities as other funds and client accounts managed by Sterling. Managing Proprietary Accounts creates a conflict of interest with other investment management accounts as Sterling's portfolio managers may be incented to focus extra attention on or allocate select investment opportunities to Proprietary Accounts. In order to address this conflict of interest, Sterling has established a policy to treat seeded Proprietary Accounts in the same manner as other funds and client accounts for purposes of order aggregation and allocation.

#### ***Investing in Securities That Sterling Recommends to Clients***

Employees of Sterling and our affiliates may trade for their own accounts in securities that are recommended to and/or purchased for Sterling's clients. As these situations may involve actual or potential conflicts of interest, Sterling has adopted policies and procedures relating to personal securities transactions, insider trading, and other conflicts of interest. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The Code is designed to assure that the personal securities transactions, activities, and interests of the employees of Sterling will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the interest of Sterling's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would



permit employees to invest in the same securities as clients, there is a possibility that employees may benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code to reasonably prevent conflicts of interest between Sterling and our clients.

## **Item 12 – Brokerage Practices**

### **Broker-Dealer Selection**

As a general practice, Sterling receives discretionary authority from our clients through our investment management agreements at the onset of an advisory relationship. Included in Sterling's authority is the ability to:

- Determine securities to be bought or sold;
- Determine the amount of the securities to be bought or sold;
- Select brokers and dealers through which to execute transactions on behalf of our clients; and
- Determine commission rates, if any, at which transactions are effected.

It is Sterling's policy to seek to obtain best execution on client transactions. An important aspect of our discretionary investment management services includes the selection of broker-dealers. Sterling maintains a list of approved brokers used for the execution of client transactions. Broker-dealers are selected based on our evaluation of the broker-dealer's ability to achieve best execution, the level of commissions or other compensation charged by the broker-dealers, the reputation and financial strength of the firm, and, when applicable, the quality of the research services provided, among other relevant factors. For specific transactions, Sterling's Trading Desks will seek to achieve best execution by selecting approved broker-dealers under the circumstances surrounding the transaction.

Sterling has an established process to oversee and periodically assess the services provided by our broker-dealers. In addition to reviewing the criteria listed above, Sterling will consider the following when evaluating the broker-dealers:

- Execution quality
- Prompt payment and/or delivery of securities
- Receipt of accurate confirmations and recordkeeping
- The current financial condition and reputation of the firm
- The firm's ability and responsiveness in executing orders

### **Research and Other Soft Dollar Benefits**

Brokerage is at times allocated to firms in exchange for certain services, such as research and brokerage, when the terms of such transactions are consistent with the guidelines set forth in Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Specifically, Section 28(e) sets forth a "Safe Harbor" that provides that an investment adviser that has discretion over a client account is not in breach of its fiduciary duty when paying more than the lowest commission rate available. If the adviser determines in good faith that the rate paid is commensurate with the value of research and brokerage services provided by the broker-dealer that provide lawful and appropriate assistance to the investment adviser in its investment decision-making or trade execution processes.

Sterling uses research materials in making investment decisions for a broad range of clients. To the extent consistent with achieving best overall execution, Sterling may allocate orders to broker-dealers that provide research information as part of their general customer service. These research services may include information on individual securities, markets, the economy, statistical information, risk measurement analysis, performance studies and other appropriate research products and services. Sterling receives research products and services from both proprietary (created or developed by a broker-dealer) and third-party research firms in connection with managing client portfolios. Proprietary broker-dealer research typically includes analyst research reports, sales brokerage coverage, conferences, and one-on-one meetings with both analysts and companies. For proprietary broker-dealer services that are "bundled" (e.g., offer trade execution and research products for one commission rate), Sterling considers a portion of the commission for trade execution and the remainder for research services.

Sterling uses brokerage services and products for executing client's securities transactions. Sterling's use of brokerage services must relate to trade execution and trade implementation from the point when Sterling communicates with the broker-dealer for the purpose of transmitting a trade order, through the point when funds or securities are credited to the client account. Eligible services and products include functions incidental to effecting

securities transactions, such as clearance, settlement, custody, and related communications. Trading software used to route orders and algorithmic trading software are also considered eligible brokerage services.

For third-party (“soft dollar”) research and brokerage services, we predominantly use client commission arrangements (“CCAs”) with participating broker-dealers. We allocate a portion of the commission to trade execution and the remainder to research or brokerage services. We believe that using soft dollars to obtain the type of research and brokerage services mentioned above enhances our investment research and trading process, thereby increasing the prospect for higher investment returns. Services received pursuant to soft dollar arrangements may be used to benefit the account that generates the commissions as well as other accounts. Research products or brokerage services received by Sterling might also be used for functions that are not research or brokerage related. Where such product or service has a soft dollar/hard dollar (“mixed use”) component, Sterling will make a reasonable allocation according to our use and pay for the non-research or brokerage functions in hard dollars using our own funds.

Sterling uses client soft dollar commissions for the benefit of our clients. However, use of client commissions for research and other soft dollar benefits creates a conflict of interest between the client and Sterling. For example:

- It directly reduces Sterling’s out-of-pocket costs for those services;
- It creates an incentive to select a certain broker-dealer or research product or service;
- Clients may pay commission rates that are higher than would otherwise be the case if they traded solely for execution purposes;
- Not all research commissions generated by a client’s trade will necessarily benefit a particular client’s portfolio;
- Research products and brokerage services provided by the commission credits may benefit all clients including those not participating in a given transaction;
- Soft dollar benefits may not be proportionate to soft dollar commissions generated;
- Sterling may invest client assets in securities issued by the broker-dealers or their affiliates; and
- Sterling may provide investment management services to the broker-dealers or their affiliates.

In some cases, research services are generated by third-parties but provided to Sterling by or through broker-dealers. Although it is not possible to assign an exact dollar value to these services, they may reduce our expenses. The investment management fees paid to Sterling are not reduced because we receive such services.

In accordance with the Safe Harbor, Sterling has entered arrangements for research and/or brokerage services. To facilitate payment of these services, Sterling has CCAs in place, directing the transacting broker-dealer to collect and pool commissions generated by client trades and then periodically directing the broker-dealer to pay invoices from that pool. Arrangements are reviewed by Sterling’s Best Execution Group periodically to determine if the product or service meets the eligibility criteria of “research” or “brokerage” in the Safe Harbor; that the product or service provides lawful and appropriate assistance in Sterling’s investment decision-making responsibilities and makes a good faith determination that the client commissions paid are reasonable in relation to the value of the services received. Sterling is not contractually obligated to direct trades to any broker-dealers in connection with these CCA arrangements. When we execute orders through these broker-dealers, clients may pay commissions higher than those obtainable from other brokers. We periodically review our total commission structure with an industry survey of comparable managers.

Sterling uses a commission aggregation platform to aggregate and reconcile commission credits in one location so that all credits are housed in a segregated account. Sterling’s procedure for working with broker-dealers or third-party service providers using client commissions is multi-faceted. For example, portfolio managers and analysts “vote” for broker-dealers with proprietary research services at least annually. Considerations typically include but are not limited to: (i) number of company or analyst meeting opportunities; (ii) quality of the company or analysts and their research reports; (iii) sales coverage; and (iv) conference participation.

Sterling on occasion directs fixed income securities transactions to a broker-dealer that provides specialized research services, generally paying a small premium on those transactions in recognition of the value of the services provided.

### **Brokerage for Client Referrals**

Sterling does not consider broker-dealer or third-party referrals in selecting or recommending broker-dealers.

### **Advisory Solutions Multi-Strategy Models**

Trading for multi-strategy models provided to unaffiliated entities is generally not performed by Sterling. The Program Sponsor (or the applicable adviser) in turn may apply the investment models and execute trades based on the model information provided by Sterling.

### **Registered Investment Companies and Other Pooled Vehicles**

The prospectus or offering document for the Affiliated Funds sets forth the types and amounts of securities that may be bought or sold by Sterling on behalf of the Affiliated Funds. The investment management agreements entered into by Sterling and the Affiliated Funds give Sterling the authority to select the brokers or dealers that will execute the purchases and sales of the securities of the Affiliated Funds' portfolios managed by Sterling. The agreements also direct Sterling to use our best efforts to obtain the best available price and most favorable execution of these transactions. Sterling is given the authority to effect transactions at commission rates that are in excess of the minimum available commission rates when deemed appropriate by Sterling.

### **Trading for Wrap Accounts**

Sterling manages accounts in several Wrap Programs that are not traded through Sterling's trade order management system. Instead, these accounts are traded through each Program Sponsor's system and thus shares are not allocated to these accounts using Sterling's trade order management system's computer-generated methods.

Clients of Wrap Programs typically pay the Program Sponsor a single fee based on assets held at the Program Sponsor for all trading, custodial, and other services provided by the Program Sponsor. This fee precludes a client from paying the sponsor commissions on a per transaction basis. When Sterling selects another broker-dealer to effect a trade other than the Program Sponsor, an additional handling fee may be assessed by the Program Sponsor. Sterling would normally expect to trade directly with the Program Sponsor in most instances. Under certain circumstances and if permitted by the Program Sponsor, Sterling may choose to trade away if doing so provides better pricing and an overall benefit to the client.

It is important that these accounts receive equitable treatment regarding block trading activities. To accomplish this Sterling's traders employ a rotation to ensure that all of Sterling's clients receive fair and equitable treatment over time.

### **Trade Aggregation**

Sterling typically aggregates client orders, where appropriate, in an effort to obtain a more favorable execution. Aggregating trades facilitates better execution for all clients and potentially reduces the overall commission rate. Trades will be aggregated to the extent permissible by policies and procedures, client guidelines and regulations. Client-imposed investment restrictions may result in a potentially less favorable execution outside of an aggregated discretionary trade.

Investment decisions deemed appropriate for one client may also be deemed appropriate for other clients therefore the same security may be purchased or sold at or about the same time for more than one client. When this is the case, Sterling may aggregate the same security, same side (e.g., buy or sell) trades for multiple clients, including clients of Sterling's affiliates, and execute the trade as a single block. When transactions are so aggregated, the securities purchased or sold will be allocated in a fair and equitable manner. The prices applicable to the aggregate transactions on a given day will be averaged, and the portfolios generally will be deemed to have purchased or sold their proportionate share of the security involved at the average price.

Aggregation of trade orders may not be possible at all times. For example, securities that are thinly traded may not be aggregated and allocated among all clients seeking the same investment opportunity. In addition, some issuers have threshold limitations on aggregating ownership interest.

Sterling will not aggregate transactions unless it believes that it is in the best interests of the clients, and consistent with seeking best execution. Nevertheless, there is no assurance that the aggregation of transactions will benefit

all clients equally, and in some instances, combined orders could adversely affect the price or volume of a security. Sterling may also choose not to aggregate trades in circumstances where it is not beneficial to do so.

### **Trade Rotation**

Sterling's equity trade rotation is designed to ensure that all clients are treated in a fair and equitable manner over time.

Discretionary portfolio trades executed by Sterling's trading desk for a given strategy are not aggregated with non-discretionary trades, including those executed by the trading desk of an unaffiliated manager, Sponsor, or financial adviser. Client orders placed by Sterling's trading desk for a given security could potentially compete with client orders placed by the trading desk of an unaffiliated manager, Sponsor, or financial adviser. Timing delays and/or other operational factors inherently associated with trade implementation away from Sterling discretionary trades may result in client orders being executed at the same time, before, or after the client orders of an unaffiliated manager, Sponsor, or financial adviser. This may result in some clients receiving materially different prices relative to other clients.

Depending on market circumstances and volatility, Sterling may use either a single or multi-channel equity trade rotation when the same trade that is being made for discretionary portfolios is also being provided to non-discretionary portfolios. Regardless of whether a single or multi-channel rotation is used, the platforms within a given rotation will be delivered contemporaneously with the discretionary portfolio trades. All trade rotations within a given channel will rotate either randomly or sequentially, as Sterling deems appropriate. An example of when a sequential rotation may be more appropriate is when there are only two clients in a rotation. Sterling reserves the right to alter the rotation process if it is in the best interest of any client due to unforeseen circumstances (e.g., system outages, timing delays, etc.).

An exception to our single or multi-channel trade rotation process may occur if a security is extremely illiquid, as it may be beneficial to wait until one or more clients have, or appear to have, completed trading before releasing the trade information farther down the rotation.

In circumstances where Sterling uses a sequential rotation, a new client would be added to the bottom of the list without restarting the rotation. When a client is removed from a sequential rotation, the process will continue in successive order without restarting the rotation.

### **Trade Allocation**

At the end of each trading day, Sterling allocates executed orders to their designated portfolios. Due to the potential liquidity characteristics of certain equities, Sterling may only be able to fill a portion of a trade order in any given trading day. As such, Sterling has developed a process to efficiently and equitably handle the allocation of partially filled trades. This process is accomplished through computer-generated assignments using one of three trade fill methods available on Sterling's trading system: "Pro-rata," "Random," and "Level Percent."

Sterling personnel may use their judgment in cases where computerized assignment of fills or rotation of trade orders is not practical. Judgment is used in the context of care, diligence, and equity to clients. Judgment typically entails a sense of what is appropriate in terms of size. For example, it is inefficient for very large portfolios to receive a modest allocation of shares, and likewise it is inequitable for a small portfolio to receive a large allocation of shares that would complete that portfolio's trade allocation quickly, where other portfolios may take several trading days to complete their positions. The computer system allows Sterling's trading desk to manually adjust the generated outcomes, and the traders make such manual adjustments when circumstances warrant.

The randomness of the computer-generated methods is a component in Sterling's allocation strategy to ensure that no preferential treatment is afforded to certain portfolios when viewed in the long term. These computer-generated allocation methods are typically applied to portfolios where clients have not directed Sterling to use specified brokers.

## **Client-Directed Brokerage and Transactions**

### ***Client-Directed Brokerage***

Clients may instruct Sterling to execute all transactions through specific broker-dealers. If a client directs Sterling to use a particular broker-dealer or group of broker-dealers (Directed Brokerage), it should be understood that Sterling may not be able to negotiate commissions or fees, obtain volume discounts or achieve best execution. As a result, Directed Brokerage transactions may result in higher commissions, greater spreads or less favorable net prices than would be the case if Sterling were able to select brokers and dealers to execute transactions. Additionally, Directed Brokerage transactions may not be aggregated or added to a block trade for execution purposes with orders for the same securities for other accounts managed by Sterling. If a purchase or sale order is placed for multiple accounts, orders for accounts giving Sterling full brokerage discretion will generally be placed ahead of Directed Brokerage orders. Sterling has no responsibility for reporting or monitoring commission rates or spreads when the client elects Directed Brokerage. In situations where the client directs our firm to effect portfolio transactions through a particular broker-dealer, we will require the client to provide these directions in writing.

Wrap Programs typically charge transaction-specific commissions on agency transactions executed by the Program Sponsor designated under the Wrap Program. It is anticipated that Sterling will affect most trades with the Program Sponsor or the program's designated broker-dealer. Under certain circumstances, and in an attempt to secure best execution, a security may be purchased away from the Program Sponsor if the new result would be advantageous to the client. An additional charge could apply for accepting such delivery. Some Wrap Programs prohibit Sterling from effecting transactions away from the Program Sponsor. It is not possible for Sterling to aggregate trades for clients where Sterling does not have the authority to trade securities on the client's behalf or where Sterling does not have discretion as to which broker(s) to use. For these reasons, it is possible that transactions effected through a Wrap Program may provide less advantageous executions than if Sterling had selected another broker-dealer to execute the transactions.

### ***Client-Directed Transactions***

Sterling may from time to time accommodate client requests to execute a client self-directed trade (Directed Trade). Sterling will seek to execute Directed Trade transactions on a best-efforts basis using a third-party broker-dealer. Sterling reserves the right not to accommodate any particular client trade request. The client will assume any fees or commissions associated with a Directed Trade.

### **Trade Errors**

Trade errors may occur in connection with Sterling's management of portfolios. Sterling will investigate trade errors and determine whether reimbursement to the client is warranted. In the event of a trade error loss caused by Sterling, we will seek to restore the client's portfolio to the position it should have been in had the trading error not occurred. Corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the client. In the event the trade error results in a gain, Sterling may retain the profit (or permit the client to retain it).

## **Item 13 – Review of Accounts**

### **General Description**

Members of Sterling's portfolio management teams periodically review advisory accounts. Depending on the nature of the client's portfolio, the client's own monitoring capabilities, the type of advice, and the arrangements made with the client, the frequency of reviews range from daily to quarterly. The level of review may encompass the entire portfolio, a section of the portfolio, or a specific transaction or investment. The frequency of the review depends upon a variety of factors such as the risk profile of the portfolio, the portfolio's activity level, the volatility of the asset allocation sectors in which the portfolio is invested, and the client's preferences, if any.

Compliance with investment guidelines for advisory accounts is generally determined at time of purchase of securities or other investments. However, from time to time, there may exist certain circumstances when compliance with applicable investment guidelines will be tested as of the next occurring post-trade compliance check.

### **Factors Triggering A Review**

Additional review may occur for reasons including changes in a client's investment objective or policies, changes in security positions, changes in market conditions or when significant events occur that are expected to affect the value of the portfolio.

### **Client Reports**

Sterling provides direct contract advisory clients with written reports on a monthly or quarterly basis, or as otherwise agreed to with the client. These reports generally include (i) a portfolio valuation; (ii) a summary of acquisitions and disposals; (iii) a summary of cash movements; (iv) portfolio positioning; and (v) a performance summary. Formal client review meetings are generally conducted on a regular basis at intervals selected by the client. During these reviews, the investment results and portfolio strategy are discussed. In addition, client objectives and risk tolerance are reviewed. For Managed Account Platform clients, account reviews and reports will differ and is dependent to the terms of agreement between the client and the Program Sponsor.

Please refer to Item 15 – Custody for reports provided to clients regarding custody. We suggest to our clients that they compare the information they receive from Sterling, including invoices and periodic reports, to the statements they receive from their custodians. Sterling's reports may vary from the custodial statements based on account procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 14 – Client Referrals and Other Compensation**

Sterling has engaged Truist, Truist Bank and their employees as Referral Agents and such employees may be compensated for such referral activities. Sterling may also engage other affiliates as Referral Agents, and any such affiliate and/or its employees may be compensated by us for referral activities. We also compensate our employees for business development activities, including the securing or retention of client assets by Sterling.

From time to time, we may receive indirect benefits from service providers or third-party vendors in the form of gifts and entertainment (e.g., tickets to sporting events, etc.). When received, these occasions are evaluated in the context of Sterling's gifts and entertainment policy to ensure they are reasonable in value and customary in nature to ensure their occurrence does not present any conflicts of interest.

### **Item 15 – Custody**

Sterling does not act as a custodian for client assets. Client assets will be held at a qualified custodian such as a broker-dealer, bank, or other qualified custodian. However, under the Advisers Act, Sterling may be "deemed" to have constructive custody of client assets in certain circumstances, including where: (i) Clients maintain assets at a qualified custodian affiliated with Sterling; (ii) Sterling has the authorization to deduct or draft advisory fees from a client's investment or bank account; (iii) Sterling employees serve as a trustee or power of attorney for a non-family member's account; (iv) Sterling has been given client authorization to transfer funds or securities from a client's account to a pre-designated third-party; (v) Sterling has online access to client's other investment accounts; and (vi) where the terms of an agreement between a client and a qualified custodian inadvertently gives Sterling powers that may be construed as custody over such client's assets (collectively, "inadvertent custody").

In the case of Affiliated Funds, the Affiliated Funds have made arrangements with qualified custodians as disclosed in the relevant fund offering documents. In the case of separately managed accounts, clients must select and appoint their own custodians, whose services and fees will be separate from Sterling's fees. Clients are responsible for arranging for all custodial services, including negotiating custody agreements and fees, and opening custodial accounts pursuant to a separate custody agreement.

Sterling does not endorse or guarantee the service (custody or other services) of any custodian. The client is responsible for performing due diligence in selecting and entering into a separate agreement with such custodian. Sterling is not responsible for the selection or ongoing monitoring of client custodians, and Sterling is not responsible



for any services of the custodian or for the performance or nonperformance of any services provided pursuant to the custodial or other services agreement.

Clients will receive account statements directly from their custodian and should carefully review those statements. In addition, clients are urged to compare the account statements that they receive from their qualified custodians with any reports they receive from Sterling. Sterling's reports may vary from the custodial statements based on account procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Sterling provides discretionary investment management services to clients. Sterling and the client will enter in to an investment management agreement, or other document, at the onset of the advisory relationship. This investment management agreement allows Sterling, without obtaining client consent, to implement investment decisions on the client's behalf. Sterling generally receives discretionary authority from clients (or a client's agent, such as a Program Sponsor in the context of discretionary Wrap Programs) to select and to determine the quantity of securities or financial instruments to be bought or sold for the client's portfolio. Sterling is guided by the investment objectives, guidelines, and restrictions that are developed in consultation with clients. These guidelines usually include the investment objective, risk level, and the types and amounts of securities that will make up the portfolio.

Included in our discretionary authority is the ability to select broker-dealers through which to execute transactions on behalf of clients, and the commission rates, if any, at which transactions are effected. We may accept direction from the client or agree to limitations with respect to our discretion regarding which broker-dealers are to be used and what commissions are to be paid. If a client directs us or limits us by providing specific instructions to use a particular broker-dealer or by providing us with particular instructions for trading, the client should be aware that Sterling may have opportunity risk and may not be in a position to freely negotiate commission rates or spreads, obtain volume discounts on aggregated orders, or to select broker-dealers on the basis of best price and execution. Portfolios with special instructions may incur higher commissions, create disparity in portfolio investment, and result in greater spreads or less favorable execution on some transactions than would be the case if Sterling were free to select the broker-dealer. For best execution, a security may be purchased away from the custodian brokerage firm and a minimal charge could apply for accepting such delivery, so long as the net result to the client would be advantageous. In situations where the client directs our firm to effect portfolio transactions through a particular broker-dealer, we will require the client to provide these directions in writing. The major consideration in allocating brokerage business is the pursuit of best execution on all transactions effected for all portfolios. As discussed in Item 12 – Brokerage Practices, Sterling may allocate brokerage to firms that supply research and brokerage services, statistical data, and other services when the terms of all transactions and the capabilities of different broker-dealers are consistent with the guidelines set forth in the Safe Harbor.

For Wrap Program accounts, Sterling's discretionary authority is limited by the selected mandate's investment strategy and may be further limited by reasonable, client-imposed and Sterling agreed upon restrictions. With respect to certain portfolios, such as registered investment companies, Sterling's authority to trade securities may also be limited by certain securities, tax, and other laws that may, for example, require diversification of investments and impose other limitations.

Sterling provides non-discretionary investment management services to certain clients. Some clients may grant Sterling limited discretion with respect to the assets in their portfolio (e.g., the client may require that Sterling seek the client's approval prior to any buy or sell transaction in the client's portfolio). In these instances, Sterling's ability to transact on behalf of the client will be limited.

### **Item 17 – Voting Client Securities**

#### **Proxy Voting**

The following describes the procedures through which Sterling votes proxies in accordance with Rule 206(4)-6 under the Advisers Act on behalf of all clients for which Sterling has been delegated proxy voting responsibility.



### **General Policy**

Sterling has adopted a Proxy Voting Policy, available to clients upon request, which is designed to vote proxies for the best interests of clients and mitigate potential conflicts of interest. Sterling currently utilizes the services of an independent proxy voting service, Glass, Lewis & Co. (“Glass Lewis”). Glass Lewis performs extensive research on factors relevant to proxy voting, such as company management, policies, and practices. Based on its research and experience, Glass Lewis has designed and maintains several proxy voting guidelines. These guidelines leverage Glass Lewis’ expertise in best practices among corporate issuers in matters related to governance and shareholder rights and value creation. These guidelines vary by country or by specialty factors such as environmental, social, governance, religious or other issues. Sterling has engaged Glass Lewis to provide analysis and to vote proxies on behalf of all clients who delegate their proxy voting rights to Sterling. While clients are always free to vote their own proxies, for those that delegate proxy voting to Sterling, we have approved certain Glass Lewis proxy voting guidelines for voting our client’s proxies. Sterling reserves the right to vote proxies in a manner that is different than the vote recommended by Glass Lewis or to utilize the services of another independent proxy voting service in our sole discretion.

Glass Lewis uses an electronic vote management system that automatically populates each ballot with vote recommendations based on the specific proxy voting guideline selected by Sterling, thereby enabling the automatic submission of votes in a timely and efficient manner. The pre-population of voting recommendations on a ballot adheres to Sterling’s selected proxy voting guidelines. Under no circumstances is Glass Lewis authorized to deviate from the proxy voting guidelines set by Sterling without direction from Sterling.

As part of the normal and customary ongoing security analysis and portfolio management function, our equity investment team members review proxy materials and related research publications to inform their views on issuer proxy measures. Based upon our proxy review and analysis Sterling may choose to override the Glass Lewis recommendation if deemed in the client’s best interest.

Sterling understands the importance of exercising our clients’ votes and will take all reasonable steps to exercise this right. However, in some circumstances, it is impractical or sometimes impossible for Sterling to vote. The following highlights some potential instances in which a proxy may not be voted:

- Voting in certain countries requires “share blocking.” Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the client’s custodian banks. Sterling may determine that the value of exercising the vote is outweighed by the detriment of not being able to sell the shares during this period. In cases where Sterling has determined to retain the ability to trade shares, Sterling may abstain from voting those shares. A list of the countries that meet this description is available upon request.
- The costs of voting (e.g., custodian fees, vote agency fees, etc.) in emerging and other international markets may be substantially higher than in the United States. As such, Sterling, through Glass Lewis, may limit voting on securities in instances where the issues presented are unlikely to have a material impact on shareholder value.
- Sterling may choose not to vote a proxy if Sterling believes it would be the client’s interest to make it difficult for the issuer to obtain a quorum or if Sterling believes the cost of voting these proxies outweighs any possible benefit to the client.
- When Sterling assumes management of an account, the existing securities in the account may be sold. However, if the client was a shareholder of record on the execution date, Sterling may receive proxies for these securities. In these instances, Sterling will not vote such proxies as the companies are no longer held in the client’s account and have no economic value for the client.
- In limited circumstances, other market-specific impediments to voting shares may limit Sterling’s ability to cast votes, including, but not limited to, late delivery of proxy materials, untimely vote cut-off dates, power of attorney and share re-registration requirements, or any other unusual voting requirements. In these limited instances, Sterling will vote securities on a best efforts basis.
- If a client lends securities, Sterling will vote the securities’ shares as reported by client’s custodian.

### ***Circumstances Where Sterling May Generally Rely on the Recommendations Glass Lewis Quantitative, Index and Index-Like Accounts***

Generally, proxies related to securities held in accounts and funds (or a portion thereof) that are managed pursuant to quantitative, index or index-like strategies will be voted in the same manner as those held in actively managed accounts. Sterling refers to this approach as “Majority Voting”. This process of Majority Voting ensures that these strategies benefit from the engagement and dialogue of our active investors. In the absence of overlap between the strategies, these strategies will vote in line with the Glass Lewis guidelines. Portfolio managers and analysts for accounts employing Majority Voting retain full discretion to override Majority Voting and to vote the shares as they determine to be in the best interest of those accounts, absent certain types of conflicts of interest.

### ***Advisory Solutions Accounts***

Generally, proxies related to securities held in accounts and funds (or a portion thereof) that are managed in accordance with third-party (e.g., sub-advisors, model providers) recommendations, and overseen by Sterling’s Advisory Solutions team will be voted by Majority Voting. In the absence of overlap between the strategies, these strategies will vote in line with the Glass Lewis guidelines. Portfolio managers and analysts for accounts employing Majority Voting retain full discretion to override Majority Voting and to vote the shares as they determine to be in the best interest of those accounts, absent certain types of conflicts of interest.

### ***Conflicts of Interest***

In certain circumstances, Sterling may have a relationship with an issuer that could pose a conflict of interest when voting shares of that issuer on behalf of clients. If Sterling has a material conflict of interest with the issuer, the proxy will be voted according to Glass Lewis recommendation and will not be overridden.

### ***Records of Proxy Voting***

Upon request, and as available via Glass Lewis, Sterling will disclose to our clients how Sterling voted such client’s proxies. In addition, a client may obtain a copy of Sterling’s Proxy Voting Policy and information as to how the proxies have been voted by contacting Sterling at the address, telephone number or email on the cover page of this document.

Form N-PX is used by investment companies and institutional investment managers to file reports with the SEC containing the required proxy voting records for the most recent 12-month period ending June 30. Form N-PX must be filed no later than August 31 of each year.

### ***Monitoring of Glass Lewis***

Sterling monitors the services provided by Glass Lewis to evaluate whether it has the ability to analyze proxy issues and make recommendations in the best interests of Sterling’s clients. Monitoring of Glass Lewis includes:

- Sampling of votes cast by Glass Lewis to confirm that the Vote Guidelines selected by Sterling are being followed;
- Conducting meetings with Glass Lewis personnel to determine if they continue to have the capacity and competency to carry out their proxy obligations;
- Reviewing Glass Lewis policies and procedures, with a particular focus on those relating to identifying and addressing conflicts of interest and ensuring that current and accurate information is used in creating recommendations; and
- Requesting Glass Lewis notify us if there is material change to their policies and procedures, particularly with respect to conflicts, or material business practices (e.g., entering or exiting new lines of business), and reviewing any such change.

### ***Review of Policy***

From time to time, Sterling reviews our Proxy Voting Policy and the services provided by Glass Lewis to determine whether the continued use of Glass Lewis and the Glass Lewis recommendations are in the best interests of clients. Sterling may, in our sole discretion, make any changes to our independent proxy voting service provider.

### ***Other Proxy Voting Arrangements***

With respect to those client portfolios where Sterling is not authorized to vote proxies, clients should arrange to receive proxy material directly from their custodians. In certain Wrap Program accounts, Sterling may not be

delegated the responsibility to vote proxies on behalf of the Wrap Program accounts, instead the Program Sponsor or another service provider may vote such proxies. Clients in such Wrap Programs should contact the sponsor for a copy of the Program Sponsor's proxy voting policy.

### **ESG Proxy Voting**

Investment strategies offered by the firm that consider or integrate ESG as a component of the investment process have flexibility granted to their portfolio managers to direct proxy voting to align with stated ESG objectives at the strategy level. These vote recommendations have the potential to not align with the vote recommendation for identical securities managed by other strategies of the firm.

### **Litigations, Class Actions and Bankruptcies**

As an investment manager Sterling may be asked to decide whether to participate in litigation, including by filing proofs of claim in class actions, or bankruptcy proceedings for assets held in a portfolio. It is the client's responsibility to monitor and analyze their portfolio and consult with their own advisers and custodian about whether it may have claims that it should consider pursuing. Sterling will not handle or otherwise process any potential "class action" claims or similar settlements that clients may be entitled to for securities held in client portfolios.

Generally, clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly. Sterling will provide such assistance to clients, or their agents and advisers, as we are reasonably capable of providing, but Sterling does not accept responsibility for responding to class action notifications and expressly disclaims liability for the failure to respond to such notifications.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sterling's financial condition. Sterling has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

### **Privacy**

For details on how Sterling shares your personal information, please refer to Appendix B - Sterling's Privacy Notice. In addition, please visit [sterlingcapital.com/legal/privacy/](https://sterlingcapital.com/legal/privacy/) for details about Sterling's privacy practices and your privacy rights.

## Appendix A – Sterling’s Fee Schedule

### **Sterling Institutional Separately Managed Accounts – Equity**

#### **Mid Cap Value, Mid Cap Relative Value, Real Estate**

First \$10 million	0.85%
Next \$15 million	0.70%
Thereafter	0.60%
Minimum Initial Investment	\$10 million

#### **Equity Income, Special Opportunities, Focus Equity, Global Leaders**

First \$25 million	0.70%
Next \$25 million	0.60%
Next \$25 million	0.50%
Thereafter	0.40%
Minimum Initial Investment	\$10 million

#### **International Focused Factor**

First \$250 million	0.60%
Next \$250 million	0.50%
Thereafter	0.40%
Minimum Initial Investment	\$10 million

#### **Small Cap Value, Small Cap Fundamental Value**

First \$25 million	1.00%
Thereafter	0.75%
Minimum Initial Investment	\$10 million

#### **Small Cap Value Focused Factor**

First \$50 million	0.60%
Next \$50 million	0.55%
Thereafter	0.50%
Minimum Initial Investment	\$10 million

#### **Large Cap Value Focused Factor**

First \$250 million	0.45%
Next \$250 million	0.35%
Thereafter	0.25%
Minimum Initial Investment	\$10 million

### **Sterling Institutional Separately Managed Accounts – Fixed Income**

#### **Ultra Short Duration (Cash Management and Enhanced Cash)**

First \$100 million	0.12%
Next \$200 million	0.10%
Thereafter	0.08%
Minimum Initial Investment	\$50 million

#### **Short Duration Fixed Income**

First \$100 million	0.15%
Next \$100 million	0.125%
Thereafter	0.10%
Minimum Initial Investment	\$25 million

**Intermediate, Core and Long Duration Fixed Income**

First \$50 million	0.25%
Thereafter	0.20%
Minimum Initial Investment	\$20 million

**High Yield**

First \$50 million	0.50%
Thereafter	0.45%
Minimum Initial Investment	\$20 million

**Intermediate and Core Fixed Income Municipal**

First \$10 million	0.35%
Next \$40 million	0.25%
Thereafter	0.15%
Minimum Initial Investment	\$20 million

**Sterling Managed Account Platforms****Wrap Programs**

Annual Fee	0.30%-0.60% on all program assets depending on selected strategy
Minimum Initial Investment	\$100,000

**Model Programs**

Annual Fee	0.20%-0.50% on all model-based assets depending on selected strategy*
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\*Fees charged by Sterling to affiliated and unaffiliated Model Program Sponsors do not include underlying manager fees. Sterling's fees are charged directly to individual clients or the external investment platform sponsors.

**Sterling Managed Fixed Income Accounts – Taxable Strategies**

<b>Taxable Strategy</b>	<b>Minimum Investment</b>	<b>Annual Fee</b>
Core SMA	\$500,000	0.20%
Enhanced Cash SMA	\$1,000,000	0.20%
Enhanced Cash Gov SMA	\$1,000,000	0.20%
Full Term Gov/Credit SMA	\$250,000	0.20%
Intermediate Gov SMA	\$250,000	0.20%
Intermediate Corp SMA	\$250,000	0.20%
Intermediate Gov/Credit SMA	\$250,000	0.20%
Short Term Gov SMA	\$250,000	0.20%
Short Term Corp SMA	\$250,000	0.20%
Short Gov/Credit SMA	\$250,000	0.20%

**Sterling Managed Fixed Income Accounts – Municipal Strategies**

<b>Municipal Strategy</b>	<b>Minimum Investment</b>	<b>Annual Fee</b>
Muni Enhanced Cash SMA	\$1,000,000	0.20%
Muni Extended Intermediate SMA	\$250,000	0.20%
Muni Intermediate SMA	\$250,000	0.20%
Muni Short Intermediate SMA	\$250,000	0.20%
Muni Short Term SMA	\$250,000	0.20%
State Specific/Focused Extended Intermediate SMA	\$500,000	0.20%
State Specific/Focused Intermediate SMA	\$500,000	0.20%
State Specific/Focused Short Intermediate SMA	\$500,000	0.20%
State Specific/Focused Short Term SMA	\$500,000	0.20%

*\*The following Managed Fixed Income strategy is no longer available for new clients*

**Intermediate Government Credit Total Return**

First \$5 million	0.28%
Next \$5 million	0.25%
Thereafter	0.23%

**Sterling OCIO Services (Advisory Solutions)**

First \$50 million	0.25%
Next \$50 million	0.20%
Next \$100 million	0.15%
Thereafter	0.10%
Minimum Annual Fee	\$50,000

**Direct Indexing and Ultra Tax Management Solutions**

The minimum account size for U.S. Large Capitalization companies is \$250,000. Fees are negotiated based on a wide range of client specific attributes involved in each engagement.

**Sterling Private Client**

Investment management fees are based on the following annual rate on total AUM. Fees may be paid in advance or arrears depending on the client relationship. Minimum investment required is \$10 million in the aggregate and minimum annual fee is \$10,000. From time to time, Sterling may charge a flat fee for services rendered other than investment management. This fee is negotiable and will be determined at the time of service.

**Equity**

First \$5 million	1.00%
Next \$10 million	0.75%
Next \$10 million	0.65%
Thereafter	0.50%

**Fixed Income**

First \$5 million	0.50%
Next \$5 million	0.40%
Thereafter	0.25%



## Appendix B – Privacy

<b>Facts</b>	<b>WHAT DOES STERLING CAPITAL DO WITH YOUR PERSONAL INFORMATION?</b>	
<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>▪ Social Security number</li> <li>▪ income and investment experience</li> <li>▪ risk tolerance and assets</li> </ul> <p>When you are no longer our customer, we continue to share your information as described in this notice.</p>	
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Sterling Capital chooses to share; and whether you can limit this sharing.	
	<b>Reasons we can share your personal information</b>	<b>Does Sterling Capital share?</b>
	<b>For our everyday business purposes —</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes
	<b>For our marketing purposes —</b> to offer our products and services to you	Yes
	<b>For joint marketing with other financial companies</b>	No
	<b>For our affiliates' everyday business purposes —</b> information about your transactions and experiences	No
	<b>For our affiliates' everyday business purposes —</b> information about your creditworthiness	No
	<b>For our affiliates to market to you</b>	Yes
	<b>For nonaffiliates to market to you</b>	No
	<b>Can you limit this sharing?</b>	
	<b>For our everyday business purposes —</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	No
	<b>For our marketing purposes —</b> to offer our products and services to you	No
	<b>For joint marketing with other financial companies</b>	We don't share
	<b>For our affiliates' everyday business purposes —</b> information about your transactions and experiences	No
	<b>For our affiliates' everyday business purposes —</b> information about your creditworthiness	We don't share
	<b>For our affiliates to market to you</b>	Yes
	<b>For nonaffiliates to market to you</b>	We don't share
<b>To limit our sharing</b>	<ul style="list-style-type: none"> <li>▪ Please call 877-835-4836 to leave a message and a Sterling Capital representative will return your call.</li> <li>▪ Please note: If you are a new client, we can begin sharing your information 30 days from the date we provided this notice. When you are no longer our client, we can continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.</li> </ul>	
<b>Questions?</b>	<ul style="list-style-type: none"> <li>▪ Please call 877-835-4836 to leave a message and a Sterling Capital representative will return your call.</li> </ul>	

<b>Who we are</b>	
<b>Who is providing this notice?</b>	This notice is provided by Sterling Capital Management LLC
<b>What we do</b>	
<b>How does Sterling Capital protect my personal information?</b>	<ul style="list-style-type: none"> <li>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. Our employees are bound by our Code of Ethics and policies to access consumer information only for legitimate business purposes and to keep information about you confidential.</li> </ul>
<b>How does Sterling Capital collect my personal information?</b>	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>tell us about your investment or retirement portfolio or enter into an investment advisory contract</li> <li>seek advice about your investments or give us your income information</li> <li>give us your contact information.</li> </ul>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>sharing for affiliates' everyday business purposes — information about your creditworthiness</li> <li>affiliates from using your information to market to you</li> <li>sharing for nonaffiliates to market to you.</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
<b>What happens when I limit sharing for an account I hold jointly with someone else?</b>	Your choices will apply to everyone on your account.
<b>Definitions</b>	
<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and nonfinancial companies. Our affiliates include financial companies with a Truist name; financial companies such as Truist Bank, a custodial bank, Truist Advisory Services and Truist Investment Services.
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>Sterling Capital does not share with nonaffiliates so they can market to you.</li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>Sterling Capital does not jointly market.</li> </ul>
<b>Other important information</b>	
<ul style="list-style-type: none"> <li>You may have other privacy protections under some state laws. We will comply with applicable state laws as to information about you.</li> <li>Accounts with California and Vermont addresses will be treated as if you opted out of sharing information among our affiliates.</li> </ul>	

Appendix C – ERISA Section 408(b)(2) Notice



**Sterling Capital Management LLC**

**Guide to Services and Compensation  
ERISA Section 408(b)(2) Notice**

The following is a guide to important information that you should consider in connection with the services to be provided by Sterling Capital Management LLC (the “Firm” or “we” or “us”) in respect of your employee pension benefit plan or trust (the “Plan”). This information is intended to satisfy the disclosure requirements under 29 C.F.R. §2550.408b-2(c)(1)(iv), to the extent applicable.

Should you have any questions concerning this guide or the information provided to you concerning our services or compensation, please do not hesitate to contact your Relationship Manager.

Required Information	Description and/or Location(s) <sup>1</sup>
<b>Services.</b> Description of the services that Sterling will provide to the Plan.	Sterling has been retained to provide investment management services to the Plan.
<b>Status.</b> Whether Sterling will provide services directly to the Plans(s) as an ERISA fiduciary and/or as an investment adviser under the Investment Advisers Act of 1940.	Please refer to the Firm’s Investment Advisory Agreement for the Plan (as may be amended from time to time), which provides that the Firm will provide certain investment–related services in respect of the Plan as an investment adviser registered with the U.S. Securities and Exchange Commission under the U.S. Investment Advisers Act of 1940, as amended, and as a “fiduciary” within the meaning of 3(38) or a “co-fiduciary” under Section 3(21) of ERISA.
<b>Direct Compensation.</b> Compensation that Sterling expects to receive directly from the Plan.	Please refer to the Investment Advisory Agreement.  Sterling receives a fee (generally expressed as a percentage of assets under management) for providing investment management services to the Plan.
<b>Indirect Compensation.</b> Compensation Sterling will receive from other parties that are not related to the Firm.	Please refer to the Investment Advisory Agreement.  To assist in the investment management process the Firm may use client brokerage commissions to purchase research and brokerage services, such as stock screening and research tools as well as quotation and trade execution services. Research thus obtained does not have a quantifiable dollar value. Please refer to the Investment Advisory Agreement and the Firm’s ADV Part 2A for the

<sup>1</sup>This guide includes summary information. We suggest that you review the entirety of the referenced materials and documents, all of which should have been provided to you. If you would like to request additional copies of referenced materials and documents, please contact us. This guide is not intended as an agreement for services; nor is it intended to change, modify, or otherwise amend the referenced materials and documents or any other existing agreements between the Plan and the Firm.

	<p>full disclosure of brokerage and execution practices including research and the use of soft dollars.</p> <p>In accordance with industry practice, we and our affiliates may, from time to time, receive non-monetary gifts and gratuities, such as promotional items (coffee mugs, calendars, gift baskets, etc.), meals and entertainment (collectively, “gifts”) from third parties. For this purpose, we allocate the value between clients in accordance with a reasonable allocation methodology.</p>
<b>Fees and Expenses related to the Plan’s Sterling-Sponsored Funds<sup>2</sup>.</b>	Please refer the Sterling-Sponsored Funds’ Prospectus.
<b>Compensation paid among related parties.</b> Compensation that will be paid among Sterling and related parties if set on a transaction basis or charged directly against the Plan’s investment and reflected in the net asset value of the investment.	Not applicable, as the Firm does not reasonably expect that compensation will be paid among the Firm and related parties.
<b>Compensation for termination of contract or arrangement.</b> Compensation Sterling will receive if the Plan terminates our service.	Please refer to the Investment Advisory Agreement.
<b>Cost of Recordkeeping Services.</b> The cost to the Plan for recordkeeping services.	Not applicable, as Sterling does not reasonably expect to provide recordkeeping services to the Plan.
<b>Manner of receipt.</b> The manner of receipt of compensation Sterling receives.	<p>Please refer to the Investment Advisory Agreement.</p> <p>Any research and brokerage services are generally received by Sterling from executing broker-dealers or third parties as part of the securities transactions in the Plan’s account. Please refer to the Investment Advisory Agreement and the Firm’s ADV Part 2A for the full disclosure of brokerage and execution practices.</p>
<b>Other Fees and Expenses.</b>	Please refer to the Investment Advisory Agreement.

<sup>2</sup> “Sterling-Sponsored Funds” refers to a registered investment company under the Investment Company Act of 1940, as amended, that is sponsored by Sterling Capital Management. For updated information on the annual fund operating expenses of a Sterling-Sponsored Funds, please visit [www.sterlingcapital.com](http://www.sterlingcapital.com).